IMPACTS OF DEINDUSTRIALISATION ON THE LABOUR MARKET AND BEYOND

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ABSTRACT

The 16 publications included in this thesis are the results of a programme of research between 1993 and 2009 into the labour market and labour market-related impacts of the large-scale spatially concentrated losses of industrial jobs in Great Britain from the 1970s to the 1990s. The British conventional wisdom has been that labour market recovery was relatively quick, and that the effects were not particularly profound. Continuing labour market distress was mainly ascribed to labour 'supply-side' factors rather than to locally deficient labour demand. The research challenges these views. It draws particularly on the British Keynesian tradition, and on authors such as J. F. Kain, John Kasarda and William Julius Wilson from the USA, which experienced similar job losses around a decade earlier. Issues covered include the statistical measurement and spatial variation of unemployment and related economic disadvantage, unemployment disguised as sickness, long-term unemployment, migration and lone parenthood, and there is also analysis of policies on employment and social inclusion.

The research shows that 'Travel-to-Work Areas' (TTWAs) do not correctly identify the employment 'fields' of residents of areas of high unemployment. They have biased errors due to imbalance between commuting inflows and outflows, and obscure the main variation in unemployment on the urban-rural dimension. Three papers on Incapacity Benefit (IB) analyse the dynamics of change in the stock of claimants, investigating the roles played by health status and labour market conditions. The most recent of these papers examines whether the striking fall in IB claims in Glasgow and other former industrial areas in 2003-08 was the result of official interventions or of improving labour market conditions, concluding that it was mainly the latter.

A key 'supply-side' assumption was that being unemployed in itself makes people less 'employable' – the theory of 'state-dependence'. The paper on long-term unemployment

radically challenges this interpretation. It points out that the literature on the relationship between long-term and short-term unemployment has generally failed to consider the appropriate time-lags or the behaviour of the standard measure of long-term unemployment. It shows that the phenomenon which the theory of state-dependence purports to explain does not occur to any significant extent.

Outmigration and housing abandonment are significant effects of local job loss. The paper on housing abandonment demonstrates a statistical relationship across England in 1997 between social housing surplus and 'real unemployment', while a further paper challenges the view that there was no longer a deficiency of demand for labour in Glasgow and the Clyde Valley in the 1990s by investigating migration patterns. It demonstrates that net flows between individual Scottish areas and the rest of the UK were to a substantial extent determined by changes in labour demand. A new finding is that little adjustment to employment change occurs through migration within Scotland.

The large increase in lone parenthood in Great Britain since the 1960s has been strongly correlated across areas with male worklessness. The US literature suggested that this relationship is causal, and this thesis is investigated in two papers. The earlier of these was the first comprehensive published application of this interpretation to the modern British case. A further paper concludes that falling male employment accounted for around half the rise in lone parenthood in Great Britain in 1971-2001.

Two of the papers present a comprehensive picture of the geographical distributions of the different groups of disadvantaged people in the labour market, showing that they all conform to a similar pattern which in turn is related to deficient labour demand.

Keywords: Unemployment, long-term unemployment, worklessness, economic inactivity, Incapacity Benefit, migration, lone parenthood,.employment policy, social inclusion.

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SECTION 1

EXPLANATORY ESSAY

References to the publications submitted are in square brackets [ ]. *References to other papers by the author and to papers by other authors are in round brackets ( ).*

The 16 publications submitted present the results of a programme of research since 1993 into the labour market and labour market-related impacts of the large-scale spatially concentrated losses of industrial jobs in Great Britain from the 1970s to the 1990s. When this research was begun, the British conventional wisdom was that labour market recovery had been relatively quick, and that the effects had not been particularly profound. Continuing labour market distress was mainly ascribed to labour 'supply-side' factors rather than to locally deficient labour demand. Prevailing assumptions were that adjustment to job loss through commuting or migration was relatively easy, that jobs were easy to find everywhere, and that if there were local concentrations of unemployment these were due to uncompetitiveness of the local labour force, which would often be due to a previous unemployment shock having made the unemployed less 'employable'. Additionally, it was assumed that major changes in British society such as the widespread breakdown of the family were autonomous social trends unconnected to deindustrialisation. The author's perception was that none of these assumptions was correct. However, they yielded many falsifiable predictions, and the research set out to falsify them. It drew particularly on the British tradition of Keynes and Beveridge (e.g. 1930), and on authors such as Kain, Kasarda and William Julius Wilson from the USA, which had experienced similar job losses around a decade earlier. The earlier

literature yielded a causal model [16, p.37], and the research set out to test key linkages in this model.

Measurement of Unemployment

The first requirement was to identify the true spatial variation of unemployment. When the research programme began, British official statistics did not present an accurate picture either of the scale or of the geographical pattern of unemployment. In particular they obscured its most striking feature, namely its variation on the urban-rural dimension. The earliest paper [1] drew on the author's work on commuting patterns in the 1981 and 1991 Censuses to show that 'Travel-to-Work Areas' (TTWAs), then the main reporting unit for British unemployment statistics, do not correctly identify the employment 'fields' of residents of areas of high unemployment. They have large biased errors due to imbalance between commuting inflows and outflows, and conceal the concentration of unemployment in the cities. Published in March 1997, this paper was a joint development with Professor Ivan Turok from the single-authored conference paper (Webster 1997a) of January 1997. The conference paper had also shown that the 'workforce' claimant unemployment rates for local authority areas introduced by the Office for National Statistics (ONS) in 1996 suffered from even larger biased errors than the TTWA rates. Both papers pointed out the serious implications for economic research of the biased errors, and loss of variation through excessive aggregation, of TTWA unemployment rates.

The *Radical Statistics* paper (2002) [2] was also developed from a conference paper (Webster 2001). It took the critique of the official statistics much further, presenting a comprehensive view of their deficiencies in capturing the key features of contemporary unemployment, and discussing the way these deficiencies had arisen. It included corrected claimant unemployment rates for local authorities produced by the author, based on the published ONS rates and using the 1991 Census to correct for commuting error. It also considered the issues of government trainees, 'discouraged workers' and Labour Force Survey evidence on the desire to work, as well as introducing new analysis of unemployment disguised as long-term sickness.

It was partly as a result of the analysis in [1], [2], Webster (1998c) and Webster (2000), and of dialogue expanding on this, that ONS accepted the invalidity of the local authority 'workforce' rates and agreed to discontinue their publication as from January 2003. More detail of the author's role in relation to these statistics is available at http://www.jiscmail.ac.uk/unemployment-research.

The papers on measurement of local unemployment and on TTWAs were important in developing and validating the methodology used in other parts of the research programme presented here. This normally used local authorities or combinations of local authorities as the spatial unit of analysis. In attempting to explain the observed spatial pattern, these papers were also innovatory in replicating for Britain the analysis of the impact of urban job loss on unemployment developed for the USA by Kasarda (1989), presenting estimates of job loss by socio-economic group for major British cities. Fuller results were presented in Webster (1998c) and in [16]. These estimates were constructed from the Census Workplace data, which are rarely used for this purpose. Because these estimates disaggregated the data by socio-economic group, they were an essential complement to the 'labour market accounts' produced by authors such as Beatty et al. (1997b) for the coalfields and Turok & Edge (1999) for the cities.

Economic Inactivity and Long-Term Sickness

Other authors had already argued that much of the increase in economic inactivity in the 1980s and 1990s, particularly long-term sickness, was a form of disguised unemployment, and that true unemployment was therefore much higher than shown in the official figures. A systematic statement of this view is by Beatty et al. (2000). [3] contributed to the analysis of this issue by introducing a new methodology to show that geographical aggregations of data from the Labour Force Survey could be used to analyse relationships across areas on the urban-rural dimension between employment change, unemployment, economic inactivity and population change, thus overcoming the deficiencies of the official local claimant unemployment rates. It showed that over the 5 years 1993/94 and 1998/99, when the definition of unemployment was widened to include economic inactivity, convergence had not occurred across types of area, in spite of a substantial degree of general economic recovery.

Although the importance of long-term sick claimants was increasingly recognised during the period of the present research, for many years it was not possible to analyse at local level their characteristics or the dynamics of flows into and out of the sick status. Improvements in the Department for Work and Pensions databases, and availability of funding, made it possible for a group of researchers at the University of Glasgow to undertake this type of analysis from 2006 onwards. The present author has taken part in the work of the group throughout by contributing to the theoretical framework and suggesting specific analyses. The papers on Incapacity Benefit (IB) [4] and [5] analysed the dynamics of change in the stock of claimants in Glasgow – an area with a particularly high level of claims - and Scotland, and investigated the roles of health status and labour market conditions. They are part of a series of publications which also includes Brown et al. (2007) and [6]. [4] was a summarisation for academic journal publication of Brown et al. (2007), to which the present author contributed specific analyses (in particular the use of the 2001 Census long-term illness data as a benchmark) and portions of text, as well as contributing to the editing. It showed in particular that the fall in IB claims in the present decade was almost entirely due to a fall in inflows to this benefit status rather to an increase in outflows from it. [5] was an extension to this work, using the same analytical framework. It provided a detailed profile of the fastest-growing category of IB claimants, those claiming by reason of mental ill-health, showing the dominance of mild to moderate conditions and the relative youth of those claiming on account of alcohol or drug abuse.

[6], which was mainly written by the present author and includes substantial statistical analysis, examines the question whether the striking fall in IB claims in Glasgow and other former industrial areas since around 2003 is a result of official interventions or of improving labour market conditions, concluding that it is mainly the latter. This conclusion has already been cited and supported by McVicar (2009).

Taken together, these papers provide strong support for the view that excess IB claims are a form of disguised unemployment.

Long-Term Unemployment

In the UK literature from the mid-1980s onwards, a key assumption supporting a supply-side view of unemployment persistence was the belief that the state of being unemployed in itself makes people less 'employable' – the theory of 'state-dependence'. A corollary was that any lengthy period of high unemployment would create pools of long-term unemployment which were due to reduced 'employability' and which would not respond to increased labour demand. The paper on long-term unemployment [7] and its predecessors (Webster 1996, 1997b, 1997c) radically challenged this interpretation.[1] These papers show that, going back to Beveridge (1937), most economists have made fundamental errors in analysing the statistical evidence on the relationship between long-term and short-term unemployment, in particular by failing to consider the appropriate time-lags or the peculiar behaviour of the conventional measure, namely the proportion of the unemployed who are long-term. This has led them to believe that, following an episode of high unemployment, long-term remains higher in relation to short-term unemployment than it did before (in other words it exhibits 'hysteresis'). However, when correctly interpreted, the statistical evidence shows that the phenomenon which the theory of state-dependence was developed to explain does not occur to any significant extent; the theory is therefore not only incorrect but redundant. The findings of these papers also undermine several other less-widely supported theories which have been developed to account for supposed 'hysteresis': welfare benefit dependence, changes in labour force characteristics, and 'insider-outsider' theories.

These papers undertook a very wide-ranging review of the literature and the statistical evidence, on a national and international basis and over a long period dating back to 1909.

Because of the centrality of the issue of unemployment persistence to the working of the economy as a whole, these papers have potentially wide theoretical implications, for instance for the 'NAIRU' (non-accelerating inflation rate of unemployment), which have been taken up by Mitchell & Muysken (2008, pp.92, 100). They are also fundamentally important in relation to 'welfare-to-work' policies, whose large-scale adoption in Britain in the mid-1990s was primarily based on acceptance of the theory of 'state-dependence'.

[1] The first written account of the long-term unemployment analysis was in Webster (1996). This remained unpublished but was quickly cited by Machin & Manning (1998, pp.10-11). Webster (1997b) was a shorter and improved version and (1997c) set out the argument in brief.

Vacancies

Although in investigating the impact of job loss it is vital to measure the true level of local unemployment correctly, a high level of unemployment does not by itself establish whether there is deficient local demand for labour. It could be due either to deficient labour demand, or to an uncompetitive local workforce. Advocates of supply-side interpretations have been aware of this, and have therefore attempted to use the level of local job vacancies as a further indicator. Their argument has been that if an area has both a high level of unemployment and a high level of unfilled vacancies, then the unemployment must be substantially due to uncompetitiveness of the local labour force rather than to deficient local labour demand.

[12], pp.121-3, drawing on Webster (1999), rebutted three arguments that had been advanced by HM Treasury to support a supply-side view: decline over time in the ratio of unemployed workers to unfilled job vacancies (U/V ratio); geographical convergence in this ratio; and geographical invariance in the ratio of vacancies to total jobs with respect to the local unemployment rate. This rebuttal drew on earlier work on economic inactivity and on TTWA unemployment rate methodology. [2], pp.111-2, and [13], pp.112-3, included further commentaries on these issues.

The 'Characteristics' Approach to Unemployment

The 'supply-side' view that area concentrations of unemployment are due to lesser competitiveness of the unemployed workforce can be tested directly by examining available data on their characteristics. This possibility was investigated for the former Strathclyde Region, in an early paper (Webster 1995) by the author which was never published. This showed that the available evidence did not support the 'characteristics' approach. An equivalent analysis was later carried out for Great Britain by Erdem and Glyn (2001, earlier version published 1999) and the author thereafter cited that work rather than pursuing his own.

Labour Market Adjustment through Commuting

At the outset of the research programme, much of the existing literature assumed that people losing their job would readily be able to get another one by travelling further, to an area of employment growth or at least of lesser job loss. It was assumed that failure to do so was evidence of uncompetitiveness of some kind. The earliest project within the programme was an empirical analysis of commuting patterns in the Clydeside conurbation in 1981 (Webster 1994). Parts of the analysis, which was later repeated using the 1991 data, appeared in several of the papers presented here: [1], [15], and [16]. It produced two key findings. First, the effective 'employment fields' of people living in a given small area were always relatively restricted. Second, when the employment fields of the residents of different areas were examined systematically across the whole conurbation, they were shown to fit the well-known 'gravity model', with the values of the exponents of distance themselves following a clear spatial pattern (it was later found that the latter result replicated that of Fotheringham (1984)). These findings implied that adjustment to job loss via any radical departure from this pattern was unlikely to occur. This work represented an unusual test for Britain of the 'spatial mismatch hypothesis' which has been heavily researched in the USA (e.g. Kain 1992). Probably for this reason, the author's 1994 paper, although unpublished, has been cited in the literature in its own right, for instance by Houston (2005, pp.222, 233), Morrison (2005, p.2275) and Green et al. (2005, p.302). In the event an elegant paper by Shen (1998) made essentially similar findings for Boston, Massachusetts and the author thereafter cited this paper rather than pursuing his own analysis through to full publication.

In line with this analysis, the author cited [12, p.124] Turok & Edge's labour market accounts (1999, Table 17) as showing the small contribution made by increased net outcommuting to labour market adjustment in British cities in 1981-91. This observation was criticised by Gordon (2003, pp.66-7, 77-8) on the basis that inward commuting had increased for unrelated reasons, and that the responsiveness of net outcommuting to differences in job loss between cities was very high. In fact both these points had already been noted by the present author in an unpublished note (Webster 1998a) re-analysing labour market accounts for the British coalfields over the same period by Beatty et al. (1997b). As pointed out in the 1998 note, although the slope of the regression line relating change in commuting to change in employment is quite steep, the intercept is low – in the coalfields case, any area with an

increase in job deficit of less than 11.5% saw increased net in-commuting. Essentially, commuting adjustment can only help to the extent that there are nearby areas with job growth. This was often the case in the south east – Gordon's primary focus – but has rarely been so in the former industrial cities or generally in the north and west of Britain.

Labour Market Adjustment through Migration

One of the most important local consequences of employment loss is outmigration of population. People leave areas where employment is falling and move to those where it is increasing. In the long run, this is usually the main and in many ways the most satisfactory form of adjustment to employment change. However, it is often a slow and inefficient process and can have adverse effects on both the exporting and importing areas.

One of the significant adverse effects on exporting areas is housing abandonment, which occurred on a spectacular scale in the USA in the 1970s and 1980s but also manifested itself in former industrial areas of Britain in the late 1970s to the 1990s, leading in England to the Housing Market Renewal Pathfinder programme, launched in 2002, and in Glasgow to extensive housing demolitions. [8] took advantage of the availability of a measure of social housing surplus in 1997 developed by Bramley (1998), together with Beatty et al.'s 'real unemployment' for the same date (Beatty et al. 1997a), to demonstrate the close relationship across English local authority areas between low demand for social housing and high unemployment. Measures of job loss and private house price change were also used to the extent available. The point of this paper, as its title indicated, was to show that low demand had structural causes which lay in the labour market and was not simply – as often suggested – due to the unpopularity of particular neighbourhoods or types of house. This paper also revealed an important geographical pattern whereby areas which had social housing surpluses accompanied by high unemployment were all on the coast, or in London. This gave support to the thesis originated by Beatty & Fothergill (later published in final form in 2004) to explain the paradox that seaside towns had systematically higher unemployment than could be explained by their job loss. They hypothesised that unemployment in seaside towns was being boosted by inward migration by unemployed people wanting to live somewhere attractive. This explanation was important in countering a potential 'supply-side' argument that the view

that the observed geographical pattern of unemployment was primarily due to local job loss could not be reconciled with the facts of the seaside case.

[8] was described by the Housing Corporation (2005, p.8) as 'the single recent paper in the UK that does attempt to construct (the) formal link' between the geography of employment and housing demand in a statistical way. Wilcox (1999, pp.82, 84) described it as an 'important contribution to the analysis of low demand (for social housing)', and reproduced the author's map.

[9] challenged the view that there was no longer a deficiency of demand for labour in Glasgow and the Clyde Valley by investigating migration patterns. It took advantage of the availability of a long run of data going back to 1974 for Health Board Areas (HBAs) and seems to have been the first to investigate the working of the Scottish migration system at this level. An important, and apparently new, finding was that very little adjustment to employment change occurred through migration within Scotland. In relation to net migration, the east and west of Scotland were shown to have disconnected migration systems, relating separately to the rest of the UK but not to each other. Apparently large internal Scottish net migration flows were almost entirely due to suburbanisation. The main destination for net outmigration from all parts of Scotland was shown to be the south of England. This is a different picture from that which had been assumed by Scottish policy-makers, who thought that people becoming unemployed due to job loss in one part of Scotland would have a strong tendency to migrate or commute to new jobs in other parts of Scotland. The paper was then able to draw on the approach developed by Jackman and Savouri (1992) to demonstrate that the amount and direction of net flow between individual Scottish HBAs and the rest of the UK were to a substantial extent determined by the change in the difference in unemployment levels between the individual HBA and the south east of England – in other words by the greater availability of job vacancies in the relatively improving area. This was particularly true for areas such as Greater Glasgow with the highest unemployment, where job availability would be expected to have the most influence on migration. The paper also showed that the temporary improvement in the Scottish migration position in 1989 to 1993 was merely a repeat of what had happened in 1932-33: Scottish people losing jobs as recession took hold in the south returned to their place of origin.

The Scottish population outlook has changed substantially since this paper was written, as a result of the continued expansion of the service economy, particularly in Glasgow, and the sponsored in-migration of asylum seekers since 2000. However its analysis could readily be updated using the methods it developed.

Male Worklessness and Female Lone Parenthood

One of the most fundamental demographic changes during the period of deindustrialisation in Great Britain has been the huge increase in lone parenthood: from 4.3 per cent of families with dependent children in 1961 to 25.6 per cent in 2001. Across areas, and over time, this increase has been strongly correlated with male unemployment, particularly with the broader measure of non-employment.

Some writers such as Charles Murray (1990) who have noticed these correlations have deployed them in support of a supply-side explanation of unemployment persistence. Their argument is that both family breakdown and worklessness (and in Murray's version, crime also) are caused by moral deterioration. If correct, this would be an important argument because it would tend to support the 'characteristics' approach to unemployment, and lead to a policy focus on social control and re-education.

Other writers who have not noticed the correlation across areas between unemployment and lone parenthood have argued – or simply assumed – that the increase in lone parenthood is a demographic phenomenon unrelated to the labour market. This view also has policy consequences. In particular, it leads to a focus on attempting to raise the employment rates of lone parents themselves, rather than considering the position of the non-resident fathers.

The two papers on lone parenthood [10], [11] resulted from the author's desire to explain the correlation across areas of lone parenthood with unemployment. This led to a wide-ranging exploration of the literature. It emerged that there was already a well-developed stream of analysis for the USA which interpreted increases in lone parenthood as being causally related to male unemployment. The most important single author in this tradition was Moynihan (1965), although there have been many other writers, including Wilson (1987), who have used both statistical (time series, longitudinal and cross-section) and ethnographic analysis.

The 2000 paper [10], which used 1981 and 1991 Census data among other sources, was the first comprehensive published argument that this interpretation could be applied to the modern British case, although a handful of individual analyses, cited in the paper, had pointed to it, and the present author had already published a short paper outlining the thesis (Webster 1997e). In addition to these papers, the author produced a further, unpublished paper (Webster 1998b) containing a regression analysis of the 1991 Census data, taking the rate of lone parenthood as the dependent variable and examining various potential explanatory variables in relation to it. Circulation of this paper led to the suggestion by Professor Robert Rowthorn that while the analysis was persuasive, potential objections could be countered by using more complex regression procedures. It was agreed to undertake a joint paper in which Professor Rowthorn would contribute the regression analysis while the present author would contribute an enhanced database. The 2008 paper [11] was the result. This used a panel of data for Great Britain drawn from all four Censuses 1971-2001. It produced strong findings, in particular that the fall in male employment accounted for between 38 per cent and 59 per cent of the rise in the proportion of families headed by a lone parent over the 30 years 1971-2001, in other words around half. The impact was greatest in the areas which had suffered most from industrial decline. The analysis indicates that the effect is reversible, in other words a rise in male employment leads, *ceteris paribus*, to a fall in lone parenthood.

This paper also made a pioneering analysis of the data on stepfamilies which were collected for the first time in a British Census in 2001. This analysis has been developed further in the unpublished papers Webster (2006) and Webster (2008).

The Geography of Labour Market Disadvantage

[12] drew together several lines of analysis to present a comprehensive picture of the geographical distributions of the different groups of disadvantaged people in the labour market – youth unemployed, long-term unemployed, lone parents, the long-term sick, and partners of the unemployed - showing that they all conformed to a similar pattern which in turn was

related to deficient labour demand. This paper has become a standard reference, with at least 47 citations.[2] [13] updated the analysis.

Policy Implications

The body of research presented here has significant implications for policies on employment, urban regeneration and social inclusion, which were spelled out in [14], [15] and [16].

The jointly authored paper [14] was a critique of the supply-side assumptions underlying the New Deal programme launched in 1997, which provided employment or training to everyone in certain defined groups, particularly young people unemployed over 6 months. This paper has since become a standard reference with over 50 citations. Its starting point was an earlier unpublished paper (Webster 1997d), and the present author's main contribution was the statistical analysis. The conclusions of this paper have been supported by later work by authors such as Sunley et al. (2001) and Field & White (2007). The *New Economy* paper [15] offered a concise overview of the case for a labour demand-side approach to urban regeneration, with a brief reinterpretation of the development of British urban policy in the light of the work on the local impact of job loss by the present and other authors. The *Scottish Affairs* paper [16] covered similar ground but had a more specific focus on Scotland, both in terms of data and in presenting a reinterpretation of the development of Scottish rather than British urban policy. This reinterpretation was further developed in Webster (2002).

Contribution to Knowledge

The papers submitted have made a significant contribution to establishing the existence of, and reasons for, extensive non-adjustment of the British labour market to the loss of industrial jobs, and to investigating the economic and social consequences. The research has established important linkages and refuted some assumptions of the 'supply-side' approach. It has been drawn upon widely by other authors, with a total of well over 150 citations. Significant innovations have been made in each of the areas considered; this is primarily because the research was based on an unfashionable paradigm, which generated many hypotheses which

[2] Counts of citations are taken from ISI Web of Knowledge and Google Scholar as at 19-20 February 2009 and exclude duplicates and self-citations.

had been under-researched. Also, much of the research on which the orthodoxy was based took place before the results of the 1991 Census - the first to track the effects of the great recession of 1979-84 and the only data source capable of recording changes with sufficient local detail - became available in 1993 and 1994. By contrast, the present research has made extensive use of the Census data on employment, unemployment, commuting and family structure.

[1], [2], [12] and [13] have helped to create a better understanding of the true geographical pattern of worklessness in Britain and of its linkage with deindustrialisation. [1], [15] and [16] and the unpublished work on which they drew have contributed a systematic study of urban commuting patterns and sparked a debate on the effect of job proximity on employment levels. [4], [5] and [6] have enhanced understanding of the relationship between long-term sickness and local labour market conditions. [8] is the only British statistical study of the geographical relationship between employment change and social housing demand and its conclusions have been generally accepted. [9] seems to have been the first to investigate the Scottish migration system at Health Board Area level, and has increased understanding of its functioning. The argument on long-term unemployment [7], which is entirely original, has significant implications for some areas of macroeconomic analysis as well as for labour market policy and been taken up by several other authors. The work on the British linkage between declining male employment and rising lone parenthood has major social and economic implications. Finally, the papers presented here have contributed to analyses of the Glasgow economy, by authors such as Kantor (2000, pp.80, 806, 813, 816), MacLeod (2002, pp. 265, 267-8), Foster (2003, p.60) and Turok & Bailey (2004, pp.36, 50, 53).

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SECTION 2

PUBLICATIONS INCLUDED IN THE THESIS

ECONOMIC PERSPECTIVE

THE FUTURE OF LOCAL UNEMPLOYMENT STATISTICS: THE CASE FOR REPLACING TTWAs

David Webster and Ivan Turok

The main geographical unit for official unemployment rates below regional level is the Travel-to-Work Area. TTWAs sub-divide Britain into a single set of mutually exclusive areas. Each is supposed to constitute a fairly self-contained labour market, i.e. most of the workforce living and working within the same area. The definition of these areas is currently based on commuting data from the 1981 Census.

TTWAs are intended to provide a uniform, unbiased method of reporting unemployment differences across the country. They are officially regarded as the smallest areas for which valid unemployment rates can be quoted, and for which meaningful economic comparisons can be made (Coombes et al. 1997).

Consequently, they are used as building blocks for defining assisted areas under UK and European spatial policies. They are also key spatial units for the evaluation of urban regeneration and regional development projects, and for the identification of local labour markets for research purposes. Indeed, their full significance is not widely appreciated.

The Office for National Statistics (ONS) is currently undertaking a review of unemployment statistics to see whether the requirements of users such as local authorities and TECs/LECs are being met. (1) One option is to update the TTWA boundaries using the 1991 Census to reflect recent changes in commuting patterns. Another option is to replace TTWAs with a reporting system based on smaller or different areas. This is a vital decision for economic researchers and policy-makers.

The Arguments for TTWAs

Advocates of the TTWA system claim several merits for it. First, it is argued that TTWAs provide a statistical method for defining spatial units which is reasonably consistent across the country. Boundaries reflecting political or administrative considerations have little influence. The single central system for reporting unemployment rates reduces local attempts to manipulate these high profile statistics and avoids unnecessary disputes.

Second, each TTWA is said to be an approximation to a distinct local labour market, enabling conditions in different local economies to be compared, like with like. This is important for several reasons, including the objective definition of priority areas for regional policy.

Third, TTWAs are said to provide a useful geography for labour market analysis because they identify localised commuting clusters and the important links between people's workplace and residence. The TTWA boundaries at least need to be revised to reflect increases in average commuting distances since 1981 as a result of suburbanisation, rising car ownership, improvements in the road network and the decline of traditional industries, such as mining, which overwhelmingly employed people living nearby (Coombes et al. 1997).

The Case Against TTWAs

These supposed advantages are open to challenge. In brief:

* TTWAs do not provide a balanced description of spatial differences in unemployment. They conceal concentrations of high unemployment in the major employment centres within average rates for large areas, but provide much more detailed coverage of some small town and rural areas with relatively few employment problems.

* TTWAs misrepresent labour markets, emphasising one aspect - self-containment - at the expense of the other essential feature, internal integration.

* TTWAs focus on the ‘commuting sheds’ of employment centres, which are mainly defined by white collar workers’ movements, rather than the ‘employment fields’, or commuting ranges, of the blue collar workers who are most likely to be unemployed. They therefore provide a poor indication of the commuting patterns most relevant to unemployment.

These features make TTWAs unsuited to the purpose of defining priority areas for urban and regional policy. In addition, TTWAs have a further major

defect which has not been widely appreciated:-

* The method used to estimate unemployment rates for TTWAs creates large errors where there is significant net commuting across the area boundary. Unemployment is underestimated in areas with net in-commuting (conurbations and employment centres) and overestimated in areas with net out-commuting (rural and semi-rural dormitory areas).

These data errors, and the averaging out of unemployment rates across wide areas, also make TTWA data unsuitable for use in economic research, although many users are probably unaware of their defects.

Taken together, these problems create doubts about the fundamental validity and continued existence of the system. Although there have previously been criticisms of the TTWA system (e.g. Ball 1980), there does not seem to have been any previous evaluation considering all of these aspects. This article elaborates these points and illustrates their significance with evidence from Scotland.

Origins

Some of the problems reflect the distant origins and contradictory purposes of TTWAs. They originated in the 1950s from a need for regular statistics on unemployment rates below regional level. The only way these could be produced at the time was by combining two different data sources: the number of people unemployed (obtained from the claimant count as recorded by Employment Exchange area) was divided by the size of the labour force (obtained from workplace records of people employed plus the unemployed). The same basic hybrid method is still used today.

TTWAs were devised purely to provide a set of areas for which this hybrid method would work reasonably well. Their boundaries were therefore driven by statistical considerations (i.e. the need for a fair degree of self-containment), rather than policy concerns or efforts to understand the workings of the labour market. Local authority boundaries were not used because many of them were very small and irregular at that time and because in its origins the system was an internal Department of Employment resource which naturally used Employment Exchange areas as building blocks.

Self-Containment Versus Internal Cohesion

The emphasis on self-containment has been at the expense of the internal cohesion and strength of interactions within designated areas. This vital property of local labour markets has been consistently downplayed. Although the need for internal cohesion was understood at least by some (Goodman 1960), the record shows that as the Department of Employment formalised the system during the 1960s, it was increasingly ignored in favour of self-containment (Smart 1974). Over time, computers have facilitated increasingly sophisticated techniques for devising boundaries which maximise self-containment, but these have all been refinements of the basis algorithm laid down in the 1960s. There has been little or no reconsideration of the theoretical basis of the system, nor any attempt to incorporate a requirement relating to internal cohesion.

Maintaining the principle of self-containment has become more difficult over time for the authors of TTWAs because of longer distance commuting by a minority group of car-borne white-collar workers. The effect has been progressively to reduce the number of TTWAs from 642 in 1960 to 322 in 1984, making them ever larger and less useful. A simple updating using the 1991 Census would lead to a further loss of up to a fifth of existing TTWAs (Coombes et al. 1997).

Consequently, there are already many large TTWAs which are weakly integrated in labour market terms. Their boundaries are best described in the terminology of Vance (1960), as ‘labour sheds’ (on the analogy of ‘watersheds’). They represent the area from which the labour supply of a given employment centre is drawn, rather than the area over which the residents of a given community range to find jobs (their “employment field”). Vance showed in a detailed historical study of Natick, Massachusetts, that while labour sheds and employment fields both change over time with changes in transport technology, the latter are usually smaller than the former. This is certainly true today of a city like Glasgow, which has a very large labour shed (with well over 40% of its jobs being held by in-commuters) but a much more restricted employment field (with only 16% of its workforce commuting out). Employment fields for individual areas such as Greater Easterhouse or Drumchapel are even smaller (Glasgow Regeneration Alliance 1994). Consequently a shed-based system such as TTWAs misrepresents most commuting patterns, which are generally very localised. In 1991 nearly half (44%) of men commuted less than 5 kms, 53% of full-time women and 70% of part-time women (Coombes et al. 1997). Yet the average radius of many TTWAs is over 10 kms and for some areas it is over 30 kms. Coombes et al. note that if TTWAs were defined in terms of manual workers’ commuting patterns, there would be substantially more of them.

Concealing Local Concentrations of Unemployment

TTWAs for the major cities tend to be relatively large geographically, so they contain a very sizable share of the national workforce (Figure 1). The size distribution of the 60 Scottish TTWAs is so skewed that 42 of them each have less than 1% of the Scottish workforce while the largest three account for nearly half (47%). The largest TTWAs conceal enormous diversity of labour market conditions and processes within them, because they incorporate many of the wealthiest and poorest areas in the country.

They also reveal none of the differences between socio-economic groups such as car-borne commuters and public transport users, blue- and white-collar workers, men and women, and full- and part-time workers. Many of these have widened over the last two decades as a result of growing job market fragmentation and social polarisation.

Severe concentrations of unemployment in the inner cities and peripheral estates are obscured by averaging out unemployment over wide areas including neighbouring towns and prosperous suburbs. The important contemporary phenomena of urban industrial decentralisation, selective outmigration and debates about environmental sustainability and greenfield versus brownfield development are concealed in the process. Proper analysis, understanding and policy responses are all impaired as a result.

The TTWA for Glasgow, for instance, encompasses the prosperous areas of Eastwood, Bearsden, Milngavie, Strathkelvin, Paisley, Cumbernauld and East Kilbride. A recent study of the Geography of Poverty and Wealth (Green 1994) showed that the former local authority Districts of Bearsden & Milngavie and Eastwood are among the wealthiest localities in Britain in several respects, whereas Glasgow is one of the poorest.

The Glasgow TTWA reveals nothing of the stark contrasts between these prosperous outlying areas and sizable localities with very high unemployment within the City of Glasgow, such as the East End, Springburn, Easterhouse and Drumchapel. The estimates of claimant unemployment rates for individual communities produced by the former Strathclyde Regional Council show that they ranged from only 4% in Gryffe (Renfrewshire) to over 20% in five areas of Glasgow (City Centre, Drumchapel, Springburn/Balornock, Easterhouse/ Garthamlock and Bridgeton/Dalmarnock) in January 1996. None of this variation, by a factor of more than five over a distance of more than 13 miles, is captured by the TTWA unemployment rate. These areas are not small; their labour forces range from 3,580 (City Centre) to 11,113 (Springburn/Balornock).

As a result of this aggregation and concealment, economic development efforts are dissipated and attention is diverted from localities where jobs are needed most.

In some cases the concealment problem affects whole districts. The Glasgow City Council area with a population of 685,000 had an unemployment rate of 16.3% in Winter 1995/96, double the GB average of 8.2% and higher than for any major city outside London. However, the rate for the Glasgow TTWA was only 9.0% at the time.(2) Other districts with high unemployment concealed within large TTWAs are Motherwell, Monklands and Clydebank.

Comparison of a map of unemployment rates by local authority district as recorded by the Census in April 1991 with a map of the TTWA unemployment rates at the same date shows how the TTWA system makes the problems of the Clyde valley virtually disappear (Figures 2 and 3). At the same time, it gives greater prominence to other areas as unemployment blackspots which have a comparatively small total number of claimant unemployed. For instance, Cumnock and Sanquhar TTWA had only 2,748 unemployed at April 1991, compared with Glasgow's 55,165 and Motherwell's 9,861.

Disturbingly, the differences between the TTWA map and the Census map of unemployment rates are due not only to aggregation effects but also to outright - and serious - errors in the TTWA rates.

Errors in Unemployment Estimates

It has traditionally been assumed that 'self-containment' will ensure that there is a balance between commuting inflows and outflows in TTWAs. This is not the case since levels of self-containment never reach 100% (they are below 75% in some cases). Most areas naturally have an imbalance in commuting flows because they perform different economic and social functions. Yet this creates systematic errors in unemployment estimates, depending on the scale of imbalance.

TTWAs with net out-commuting, such as rural areas acting as a dormitory for proximate cities, have their unemployment overestimated. In contrast, major employment centres tend to have their unemployment underestimated. These errors have been found to be as much as 30% - the estimated error for the Peebles TTWA in 1991 (Webster, 1997). Figure 4 shows the geographical pattern of estimated errors for 1981; it should be borne in mind that the evidence suggests that increased commuting imbalances will have increased the size of many of the worst errors since then. Even for 1981, TTWA unemployment rates would have been overestimated by as much as 20% in Crieff, 18% in Wick, 17% in Blairgowrie & Pitlochry,

17% in Buckie, 16% in Bathgate and 14% in Huntly. Conversely, unemployment would have been systematically underestimated for the cities of Edinburgh (9% underestimate), Glasgow (8%), Aberdeen (6%) and Dundee (4%), and for smaller employment centres such as Thurso, Inverness, Stirling, Perth and Dumfries.

This problem was actually noticed a decade ago and some evidence given that certain areas had been incorrectly assigned to particular categories of Assisted Area status as a result (Green & Coombes 1985).

Errors are also created by the treatment of armed forces personnel. In calculating the 'workforce' for each TTWA, they are not attributed to the areas in which they actually work, but are shared out between all the TTWAs *pro rata* according to the size of their workforces. For the minority of TTWAs which have such personnel, this procedure results in an overestimation of the unemployment rate. The outstanding example of this problem in Scotland is the Forres TTWA, which has the smallest labour force of all, but a military base (RAF Kinloss). Forres's unemployment rate is also overestimated because out-commuting exceeds in-commuting. The result of these two factors was to give Forres, with its 542 claimants, the third highest unemployment rate among TTWAs in Scotland in January 1996. This was spurious, as anyone who has visited this lovely area will know.

Appropriate corrections for these errors have never been made to the official TTWA unemployment figures, nor has any 'health warning' been issued to their users.

It is apparent that urban areas are penalised by the TTWA system on at least three counts. Their TTWAs are particularly large and diverse so average unemployment rates mean little; errors understate their problems relative to surrounding dormitory areas; and localised concentrations are concealed.
The bias has been compounded by the recent publication by ONS of unemployment rates for unitary authorities using the same hybrid method. Use of this method for areas that have large imbalances between in- and out-commuting has resulted in extreme overestimates for commuter areas of over 100% and underestimates for employment cores of over 30% (Webster, 1997).

Defining Priority Areas

TTWAs are also unsuitable for defining priority areas for policy, since the feasible travel-to-work distances of manual workers, who are most prone to unemployment, are much shorter than average. They rely more on public transport, cannot afford to spend much on job searching and travel costs, and face stiffer competition for jobs the further away they look. Definition of priority area boundaries should depend upon examination of the actual and potential travel-to-work patterns of low skilled residents of disadvantaged areas, drawn from Census data or other sources such as transportation surveys, as well as details of planned public investment projects. This would be more satisfactory than the current assumption that new jobs anywhere within the TTWA will benefit the poorest areas and residents.

TTWA Data in Economic Research

TTWA unemployment rates are often used in economic research, as a measure of local labour supply-demand imbalance or for other purposes. It seems to have been generally assumed that although a degree of approximation is involved, these data are quite good enough. Our examination of the size of the errors for the Scottish TTWAs leads us to challenge this assumption; we doubt that these data would be much used if researchers were fully aware of the errors. A further problem is the elimination of so much of the range of variation in unemployment by including so much of the labour force in a few large TTWAs (Figure 1). This loss of variation would of course have to be accepted if it were really true that each TTWA represents an integrated local labour market; it would then indeed be meaningless to subdivide it. But we have already shown that this view is unsustainable.

Conclusions and Implications

There is no such thing as a single set of mutually-exclusive and self-contained labour market areas. TTWAs are arguably trying to serve too many purposes at once, which means doing none of them well. It is becoming increasingly apparent that attempts to define them require far-reaching compromises which often result in large, unrealistic areas that are not very useful for policy or analytical purposes. However, improvements in the Labour Force Survey now seem to offer the prospect of avoiding the large self-contained areas required by the hybrid method, as indeed is indicated by the ONS in its consultation paper.

An obvious requirement expressed by many users is for unemployment data relating to smaller areas, and for at least two spatial scales:-

* One might be a regular set of unemployment rates for local authority districts, covering the whole country. Local authority areas are larger and less irregular than such areas were before the 1974 reforms (1964 in London).

* This set of rates would still have the drawback of concealing concentrations of unemployment, especially within the larger local authority areas, such as Highland or Fife. This problem could be met directly, by producing rates specifically for localised concentrations of unemployment ('unemployment highspots'). This would require a standardised definition and method of analysis, specifying minimum thresholds for both the size of areas and their unemployment rate. These data would be primarily intended to assist in defining priority areas and targeting policy interventions. It would therefore not be necessary to produce them on a monthly basis; annual publication would probably be quite sufficient.

Notes

1. Details of the Review of Unemployment Statistics for Travel-to-Work Areas and Smaller Areas in the UK are available from ONS, B.4.12, 1 Drummond Gate, London SW1V 2QQ, tel. 0171-533 6113.

2. The estimate for Glasgow City is from the Labour Force Survey and the TTWA figure from the claimant count, but the GB figure was the same for both sources at the time. See Webster (1997).

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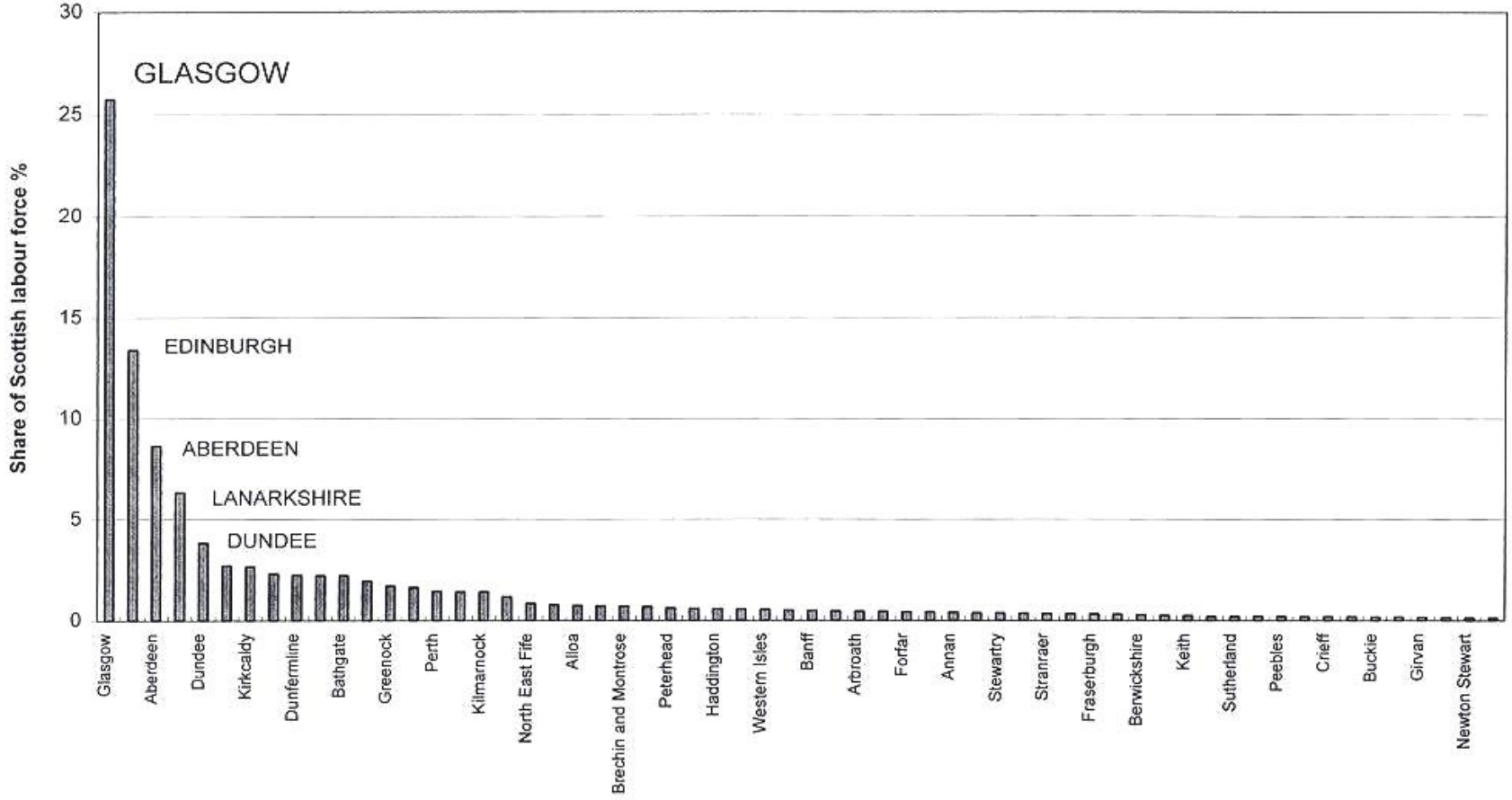
FIGURE 1 = Distribution of Scottish TTWAs by size of workforce
FIGURE 2 = Unemployment rates for Scottish TTWAs, April 1991
FIGURE 3 = Census unemployment rates for Scottish local authority districts, April 1991
FIGURE 4 = Estimated percentage errors for Scottish 1981-based TTWA unemployment rates as at April 1981

FIGURE 1: SCOTTISH TTWAs: SHARE OF SCOTTISH WORKFORCE, January 1996



Source: Labour Market Trends

28/02/97

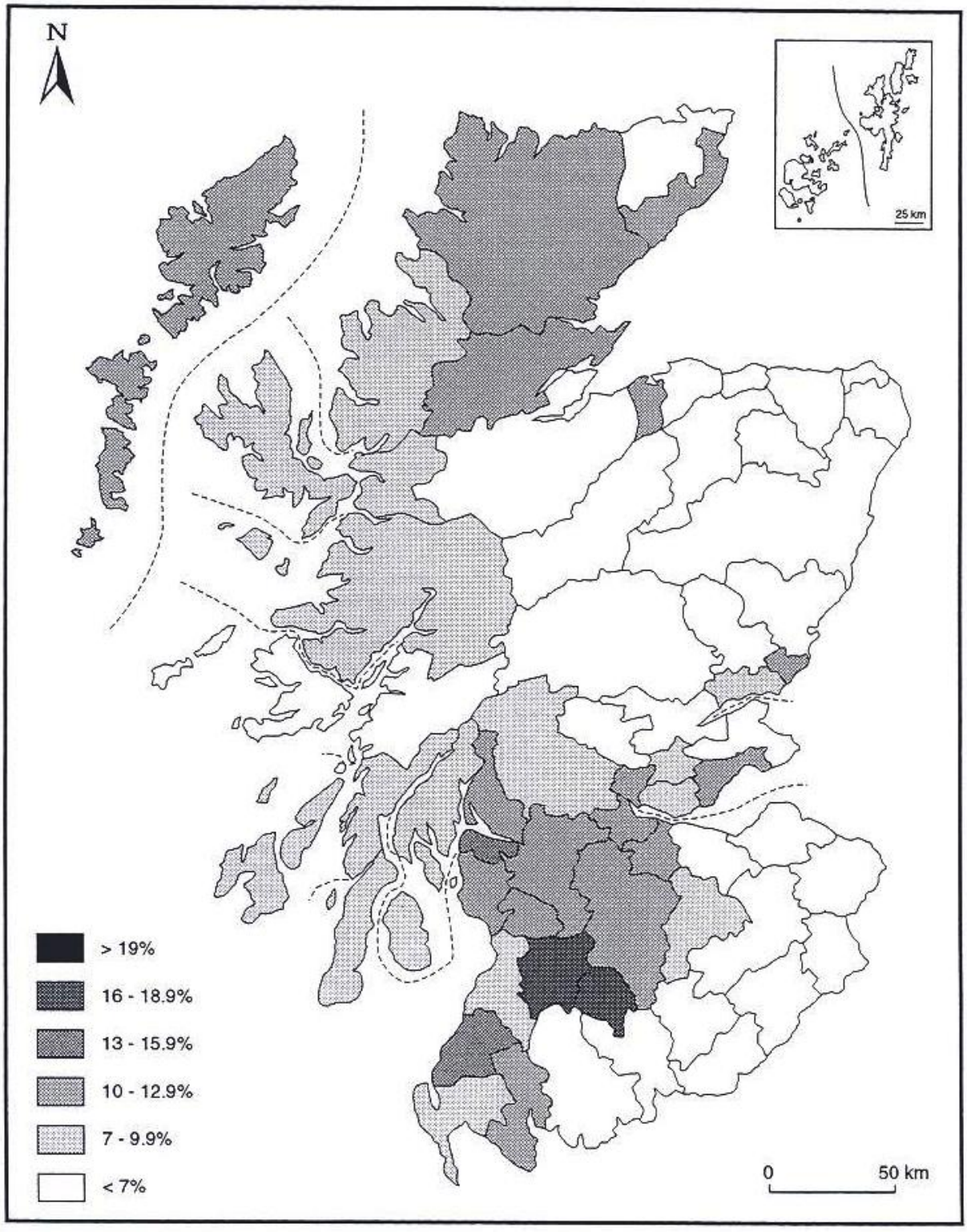


Figure 2 Unemployment Rates for Scottish TTWA s, April 1991

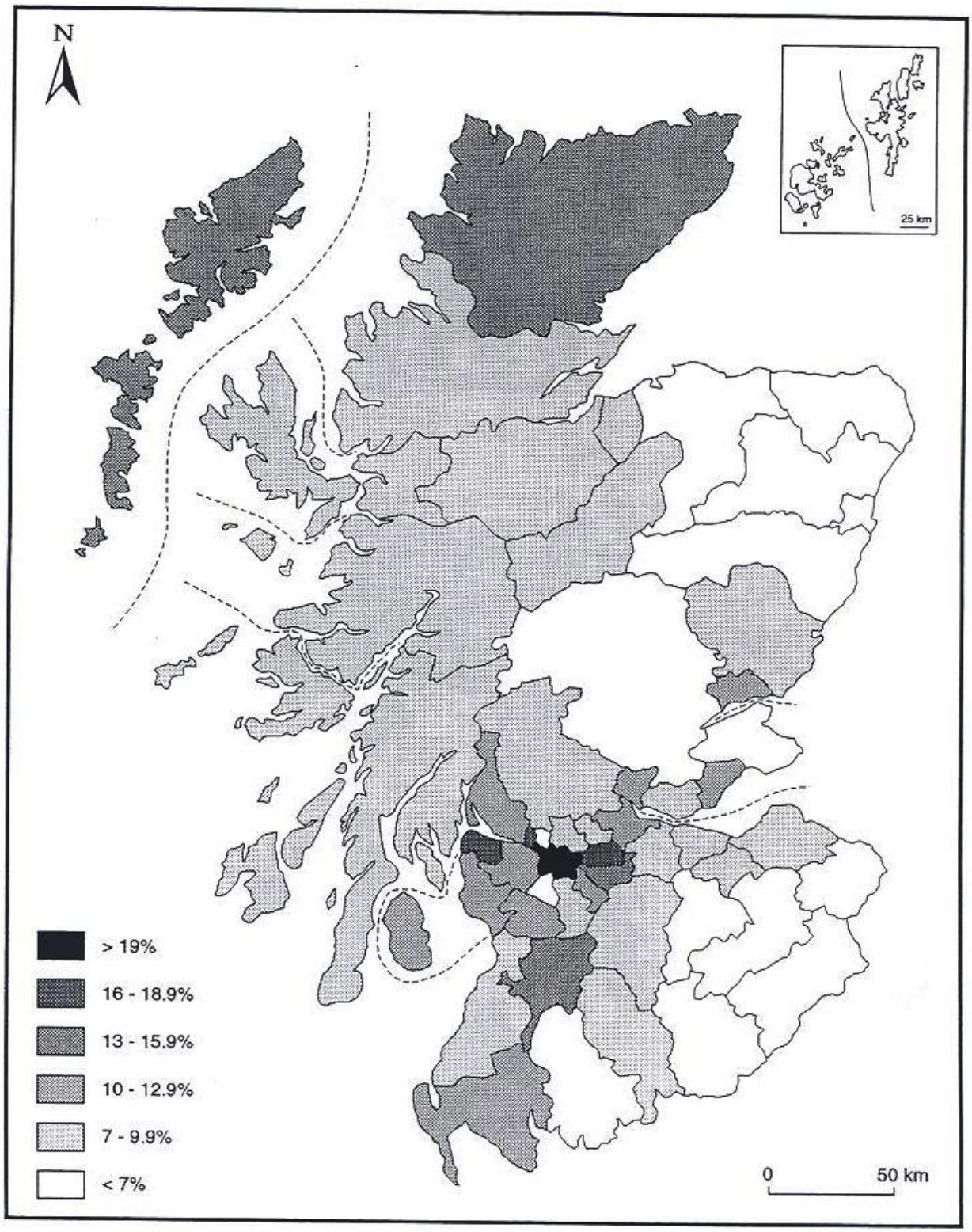


Figure 3 CENSUS Unemployment Rates for Local Authorities 1991

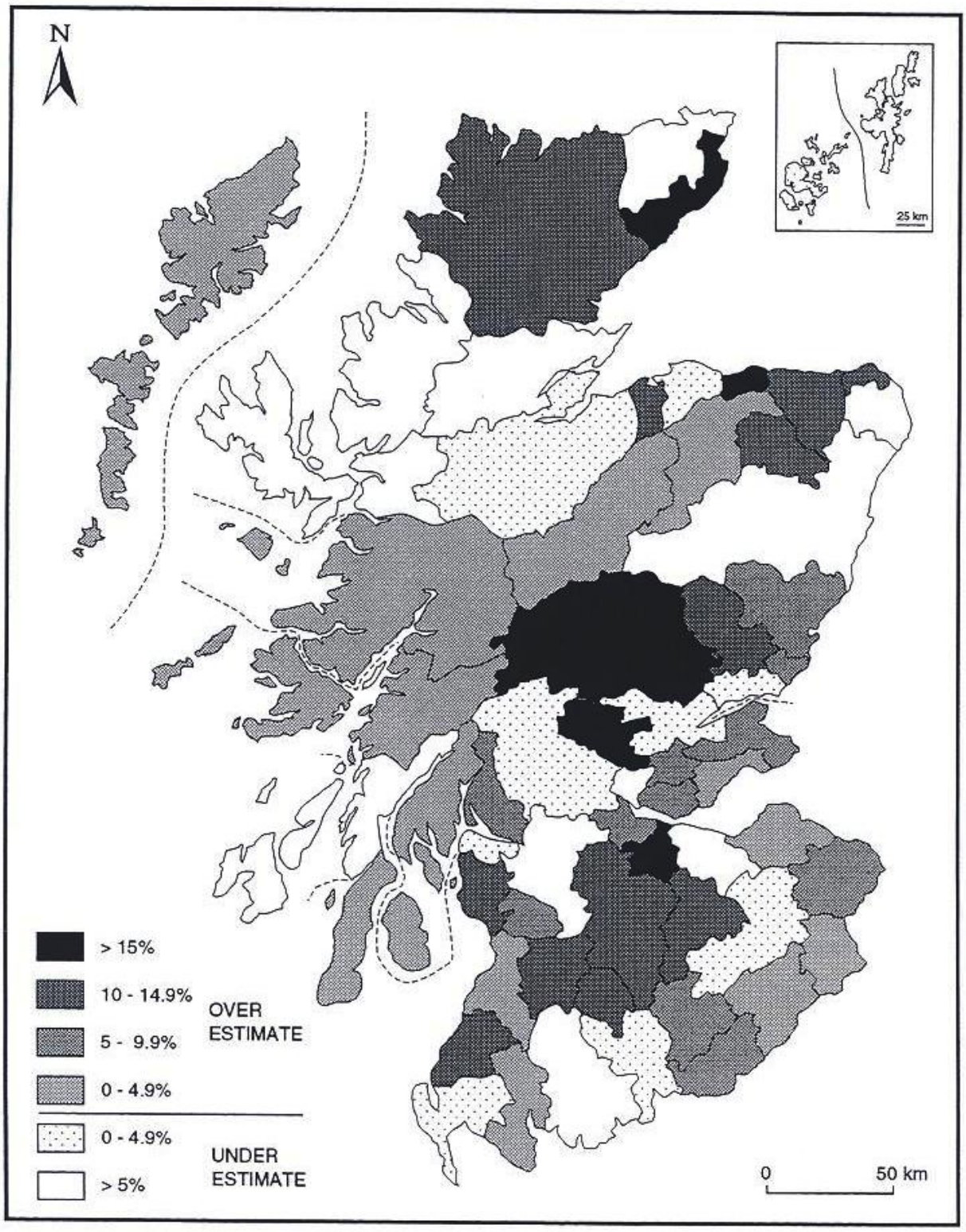


Figure 4 Estimated percentage errors for Scottish 1981 - based TTWA Unemployment Rates at April 1981

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UNEMPLOYMENT:
HOW OFFICIAL STATISTICS DISTORT ANALYSIS AND POLICY, AND WHY

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The current state of British official unemployment statistics fully vindicates the concerns of the statisticians who launched Radical Statistics 27 years ago - "a common concern about the political implications of their work and an awareness of the actual and potential misuse of statistics". Indeed this is probably a more graphic example than any contemplated at that time, which was something of a golden age for British official statistics.

The official statistics represent British unemployment as much lower than realistically it is, by concealing the scale of disguised unemployment. They also misrepresent its geography, obscuring its high degree of concentration in the former industrial cities and coalfields. These twin misrepresentations in turn obscure the scale of the impact of industrial job loss, and particularly of Britain's exceptionally poor performance in manufacturing and of the disproportionate loss of manufacturing jobs from cities. These basic misrepresentations have in turn made it easier, over the last few years, to deploy invalid job vacancy data to argue that employment opportunity is equally distributed throughout the country, although to its credit ONS has acted relatively quickly to attempt to prevent this particular misuse.

The effect of these various misrepresentations is systematically to undermine the ability of the political system to produce relevant policy action, even though the present government has made unemployment a priority.

The two issues of the level of unemployment, and its geography, are interlinked and it is difficult to understand one without the other. It is best to start with the geography.

How the statistical misrepresentations work - the geography of unemployment

It is well known that the claimant count is misleadingly low. It includes only people entitled to unemployment-related benefits; it has been reduced substantially since the

1970s by successive administrative changes; and very large numbers of unemployed people have moved out of "unemployment" into other categories, particularly sickness. Nevertheless, because it is a count rather than a sample, claimant unemployment delivers usable information about every area. More important, it is generally a good guide to the *relative* level of unemployment between areas. In this respect it does not differ much from the ILO measure, which includes people looking for work but not entitled to unemployment-related benefits. Across local authority areas, the correlation between the two measures is 0.88.

At January 2001 claimant unemployment varied across the 408 local authorities in Great Britain by a factor of 30, from 0.4% in Mole Valley, Surrey to 11.8% in Knowsley on Merseyside (Webster 2001a). Not only are these differentials very great; they are almost completely static. The correlation across local authorities between Census unemployment in April 1991 and claimant unemployment in July 2000 was 0.92. In other words, with few exceptions, if an area had high unemployment a decade ago then it still has high unemployment now. There has been little or no "convergence" in terms of rankings.

MAPS 1A and 1B show the geography of claimant unemployment in England and Scotland at January 2000. The categories have been chosen to distinguish areas with an average level, those with more than double or less than half the average, and those in between. The areas with more than double the national rate are mainly industrial conurbations, including inner east and south London, Birmingham, Manchester, Liverpool, Hull, Tyneside, Teesside, Glasgow, Clydebank and Dundee. Over 90% of all the unemployed people living in areas with unemployment more than double the national average are found in cities; because these are populous areas, the number of people involved is very large. Some seaside areas are also relatively bad, partly because in January their unemployment is seasonally high.

The pattern of unemployment in MAPS 1A and 1B is quite different from that shown by the ONS statistics for local authorities and parliamentary constituencies published in the official *Labour Market Trends*. The latter, introduced from 1996, use an invalid denominator compounded of unemployed people who live in the area and employed people who work in it but often live elsewhere. The resulting figures have no meaning and cannot validly be used for any purpose, as indeed was recognised by the Department of Employment (DE) and its predecessors and clearly stated in print in 1960, 1968, 1978 and 1979. In the present context, their most important feature is that they greatly understate unemployment in the cities, precisely where the problem is greatest. For instance, in the Glasgow area they regularly make the prosperous suburb of East Renfrewshire appear to have a higher unemployment rate than the city itself. This is because cities have net in-commuting, so that the resident unemployed are shown as a percentage of an employed workforce which is inflated by people working in the area but resident elsewhere.

Because the invalidity of the "workforce" rates is so blatant, one might hope that they would be widely ignored. Unfortunately this is not the case. Journalists take them from

"NOMIS" (which does not carry an effective health warning) and they are used regularly even in heavyweight papers such as the *Financial Times*. No newspaper has adopted a policy of not using them. Also, individual local authorities often quote these rates when it is in their interest to do so: being able to say, for instance, that the area has "the highest unemployment rate in Scotland" is useful in arguing for resources. Even a local authority consortium such as SLIMS (Strathclyde Labour Market Information Service) feels obliged to carry the figures.

The misrepresentation created by the "workforce" rates is mitigated by the publication of International Labour Office (ILO) rates, produced from the Labour Force Survey, for local authority areas. These do show very high rates in the cities. But the ILO rates only partly undo the damage because they are available quarterly for only about 30 authorities and annually for 120, and the figures have substantial sampling errors for individual years and quarters.

In practice, also, government departments do actually use the "workforce" rates. One recent use was in the recent review of UK Assisted Areas, as one of four indicators to select eligible wards (some subsequent adjustments did not alter the fundamental methodology) (DTI 1999). Since one of the other indicators was the percentage of manufacturing employment, with more manufacturing treated as an indicator of economic weakness, the overall effect was to divert Regional Selective Assistance away from cities with high unemployment to areas such as new towns with relatively low unemployment.

Another use was by HM Treasury (2000) in attempting to construct an argument that high unemployment in the inner London "scimitar" could not be due to lack of labour demand because "two of the ten areas of lowest unemployment in the country" - the Cities of London and of Westminster - also lay nearby. Both are very badly affected by the errors in the "workforce" rates, having respectively 109 times and 6 times as many workers as employed residents in 1991 (Webster 2000b). Westminster was shown as having 1.1% unemployment in July 1999, but the true resident rate was actually about 6.2%, well above the national average. The City of London's rate was shown as "0.0", its 94 unemployed claimants being swamped by the huge in-commuting "workforce", but its true rate was about 3.6%, below the national average but nowhere near the lowest 10.

A further use by HM Treasury, with the Department of Work and Pensions (DWP), in connection with lone parenthood, will be discussed below.

Since Summer 2001, ONS has been reviewing the "workforce" rates using a working group with external membership. It is understood that it will now move to withdraw them, although no public announcement has yet been made. To its credit, the Scottish Executive has already parted company from Whitehall during the past 2 years, by largely replacing the "workforce" rates with its own rates using as denominator estimates of economically active persons derived from the LFS.

"Travel to Work Areas" (TTWAs)

A further misrepresentation of the geography of unemployment arises from the use of "Travel to Work Areas" (TTWAs) to report claimant unemployment. It remains the case that no sub-regional claimant unemployment data are available for any date prior to April 1996 for any geography other than TTWAs, and many researchers are forced to use them. But TTWAs misrepresent the extent of local labour markets for the kind of people who are unemployed, conceal city concentrations of unemployment within larger areas, and understate unemployment for areas containing cities (Thomas 1998a, Webster & Turok 1997).

The "workforce" methodology which produces the invalid local authority and parliamentary constituency "rates" was invented in the 1920s as the only practical way of using the primitive data sources and information technology then available to produce approximate local unemployment estimates, originally for labour exchange areas in the Ministry of Labour's *Local Unemployment Index* of 1927-39 (Garside 1980). TTWAs were first developed in the 1950s to reduce the inaccuracies in the "workforce" rates by grouping labour exchange areas where necessary to produce areas which had a reasonable balance of in- and out-commuting, or (less accurately) were "self-contained".

However, when TTWAs were put on to a systematic basis in 1968, the criterion of self-containment was pursued at the expense of internal cohesion. In other words, two places could be put in the same TTWA even if there was little or no commuting between them, as long as there was little commuting between either of them and other places. The claim that they constitute "approximations to local labour markets" has therefore always been spurious. With the growth of long distance white collar commuting into city centres, TTWAs centred on cities have become very large - indeed, even in 1961, the methodology was incapable of producing an unemployment rate for Greater London. Most of the important concentrations of unemployment have consequently been concealed.

ONS has not yet reformed DE's practice of concealing the errors in the TTWA rates from users. Commuting patterns are such that it is impossible to devise any mutually exclusive set of TTWAs of which a large number do not have serious imbalances between in- and out-commuting and therefore large errors in the resulting unemployment rates. Of the 297 current (1998) TTWAs in Great Britain, on the basis of the 1991 Census data used in their compilation, 60 had their July 1998 unemployment rate misstated by 0.5 percentage points or more. It is cities whose TTWA rates are most often understated.

Although estimates of these errors have been independently published (Green & Coombes 1985; Webster 1999), the *Employment Gazette* and *Labour Market Trends* have discussed the existence of this type of error only in general terms and have never carried any warning about particular TTWAs for which the errors are likely to be serious. As a result, certain places appear to have received government grant aid in respect of their purported unemployment which they should not have done.

There is also a longstanding problem about the treatment of armed forces personnel. In calculating the "workforce" for each TTWA, they are shared out between all the TTWAs *pro rata* to the size of their workforces. Most TTWAs have no armed forces personnel, but for the minority which do, this procedure results in an overestimation of the unemployment rate. The outstanding example of this problem used to be the Forres TTWA, whose labour force was the smallest in Scotland but which had a major military base (RAF Kinloss), as well as an excess of out-commuting over in-commuting. The result was to give Forres the third highest TTWA unemployment rate in Scotland at January 1996, and entitlement to government grants to address its supposed unemployment. However the Forres "unemployment blackspot" never existed. The Forres TTWA was merged into a larger area in 1998, but the problem still remains to a significant degree in this and other areas.

TTWAs and “workforce” rates have caused widespread damage to research on unemployment, both through their undisclosed errors and, in the case of TTWAs, by washing out variation within a small number of overlarge TTWAs accounting for a large share of the population. Many regression studies which have come up with the finding that local labour demand is not an important factor in unemployment, cannot be trusted for these reasons. Similarly, the purported investigation of geographical mismatch as a factor in unemployment by Layard et al. (1991, p.310) will have substantially underestimated mismatch, consequently giving too much support to the authors’ “supply-side” view.

How the statistical misrepresentations work - the level of unemployment

Under pressure particularly from the Royal Statistical Society (RSS), the present government in 1997 gave “preferred” status to the ILO measure of unemployment. This gives numerically a much higher figure than the claimant count - 0.61m greater at Autumn 2001. The switch has not resolved the problem of understatement of unemployment. This is partly because the government and Bank of England have subsequently taken to using the claimant count to make unqualified historical comparisons of the type “unemployment is now the lowest for a generation”, ostensibly because the ILO measure is not available on the same basis prior to 1984. These comparisons are invalid because claimant unemployment does not mean the same now as it did in the 1970s. However, this is not the main issue, which is that the ILO measure itself is now very misleading. In Britain and many other countries, it excludes large numbers of people who on any reasonable view are unemployed.

Government Trainees

The ILO definition treats people on government training schemes for the unemployed as being *employed*. But if they were not unemployed, they would not be on a training scheme. This treatment both reduces the ILO figure, and distorts the geographical pattern. FIGURE 1, based on analysis of unpublished LFS data for 1998 and 1999, shows that the proportion of the “economically active” (i.e. employed or unemployed)

who are on government schemes is greater, the higher is the level of unemployment. At the lowest levels of unemployment, adding those on government schemes would raise the ILO unemployment rate by under 0.5%; but at the highest level, it would add almost 1.0%. The LFS is known to undercount the number of people on schemes, by about half. So these figures should be approximately doubled.

"Discouraged Workers"

To be ILO unemployed, a person must be looking for work. But what about people who want a job but have given up looking because they have decided the search is hopeless? There is international agreement that such "discouraged workers" - those who are not looking because they believe there are no suitable jobs available in their area - are really unemployed. FIGURE 1 shows that these workers' views of their prospects are quite realistic: there are a lot more of them in high than in low unemployment areas. They would add only 0.2% to the ILO unemployment rate in the latter but over 0.5% in the former areas.

Together, government trainees and discouraged workers would add about 0.7% to the ILO unemployment rate in low unemployment, and around 1.5% in high unemployment areas. These figures would rise to around 1.0% and 2.0% respectively when allowance is made for undercounting of government trainees. These are significant amounts.

Unemployment disguised as sickness

Most of those discouraged by the state of their local labour market are to be found in the category of sickness. The evidence that a very large number of unemployed people in Britain are disguised as sick is very strong.

1. Aggregate comparisons over time show a large increase in sickness in Britain which it is generally agreed cannot be explained by real change in health (NAO 1989; Gregg 1994; MacKay 1999; Fothergill 2001; HM Treasury 2001; Nickell & Quintini 2001). FIGURE 2 shows the huge increase of 1.6m since the later 1970s in the number of people claiming long term sickness benefits. Since 1996, the number of men claiming has begun to fall again, but the number of women is still rising and overall by February 2001 there had been a fall of only 53,000 from the peak. HM Treasury (2001) exaggerates the fall by pointing to Incapacity Benefit (IB) claims, when the real growth appears to be in the Disability Premium to Income Support.

2. The UK has the highest rate of working age sickness of all 15 European Union (EU) countries. The UK rate of 7.0% compares with only 2.1% in Germany and 0.3% in France. FIGURE 3 shows that, as commentators frequently point out, Britain compares favourably with the rest of the EU in terms of ILO unemployment, with 8 countries having a higher rate. But if the working age sick were to be added to the unemployed, Britain would become the third worst, after Finland and Spain.

3. Labour market accounts for the coalfields by Beatty et al. (1997) and for the

cities by Turok & Edge (1999) and Bailey & Turok (2000), as well as a longitudinal study of coalminers by Fieldhouse & Hollywood (1999), have shown that for a high proportion of people affected by job losses, the consequence is not unemployment but economic inactivity, often sickness. Recent longitudinal analysis of the LFS (Young 2001, Figure 7) suggests that the propensity of the unemployed to move into inactivity rose steadily during the 1990s, from about 8% to 13% per quarter, while Erdem & Glyn (2001) separately show that employment rates for the least qualified quartile of men in the north and west of Britain continued to fall during the 1990s upswing even though unemployment rates were falling.

4. The levels of sickness of the inactive sick are often similar to those of many people who are classed as employed or unemployed. In the 1991 Census, there were 1.286m people who had a self-reported limiting long term illness (LLTI) and were inactive due to permanent sickness. But there were also 0.701m employed people, 0.185m unemployed, 0.027m government trainees and 0.403m other inactive who had a LLTI. Surveys of male IB claimants (Beatty & Fothergill 1999) indicate that only one quarter (25%) say they cannot do any work, while two thirds (69%) say there are some types of work they cannot do. Among Job Seeker's Allowance (JSA) claimants, the corresponding figures are 2% and 20%. Of course it is well established that prolonged unemployment does itself worsen people's health (Bartley 1994, Shaw et al. 1999), and this must to some extent reduce the capacity of the long-term workless to return to work. This is particularly the case where, as in Britain, benefit levels are low (Sinfield 2001, Strandh 2001). But the evidence suggests that most sick workless people remain capable of taking jobs should they become available.

5. There is a strong correlation across local authority areas (0.72 at May 1999) between the claimant unemployment rate and the proportion of the working age population claiming sickness or invalidity benefits (FIGURE 4). The areas with the highest sickness are former coal and steel towns where occupational illnesses probably are very high. But even in areas without such obvious problems, there are remarkably high levels of sickness. The DWP statistics show that 15-20% of the working age population of the big cities of Glasgow, Liverpool and Manchester are claiming sickness benefits. The gravity of the situation is obvious to local observers such as Alan Sinclair of the Wise Group who commented that government unemployment figures for areas of industrial decline are "hopelessly wrong". "In Glasgow, we talk about 22,000 people being unemployed. The figure is easily closer to 86,000" (*The Herald*, 23 June 2000). John Robertson MP, whose constituency includes Drumchapel, commented "The officially defined unemployed form only 16 per cent of the total….in (Glasgow)" (*Hansard*, 30 January 2002, col.398). In Glasgow there has been no fall at all in the number of sickness benefit claimants since figures became available in November 1998, in spite of a considerable upturn in the local labour market.

6. Beatty & Fothergill (1999) and Beatty et al. (2000) explain why movement of unemployed people on to sickness benefits is likely to be caused by the financial incentives created by the social security system. For those who have a medical condition enabling them to claim either JSA or sickness benefits, the latter will normally be the

better option. This differential results from the strong belief of British policymakers, which took hold during the 1980s at the urging of supply-side economists such as Richard Layard, that unemployment benefits ought to be kept as low as possible in order to encourage people to move to employment. Sickness benefits, though scarcely generous, have not been affected in the same way. In this respect British policy is different from that of France and Germany, which have continued broadly to share Beveridge's view that unemployment is as much a misfortune as is sickness. It does not appear to have occurred to the British advocates of lower unemployment benefits that people might respond rationally (as economists say they should) by moving to sickness benefits instead of jobs, where the latter are unavailable.

Beatty & Fothergill (1999) showed using individual level regression analysis that receipt of an occupational pension was a significant predictor of an IB rather than JSA claim. This was explained by the fact that because JSA is means-tested, it removed the benefit of the pension, whereas IB was non-means tested.

A local authority level regression analysis by the present author adds further evidence that the social security system itself is responsible for pushing unemployed people on to sickness benefits (Webster 2001b). The proportion of the working age population on sickness benefits at May 1999 can be explained to a significant extent by variations in the local level of social housing rents and council tax as well as lowest decile earnings and unemployment. The likely explanation is that because sickness benefits are counted as income for the purpose of calculating entitlement to Housing and Council Tax Benefit, fewer people in areas with high rents and council tax will gain financially from a move on to sickness benefits from JSA (or the gains will be smaller). This appears to be the main explanation why London boroughs have so much lower a proportion of their working age populations on sickness benefits than would be expected from their level of unemployment (FIGURE 4).

Similar effects operate in other countries. In relation to the Netherlands, Broersma (2000) notes that "People above 57 years old are no longer included in (the ILO) figure since 1983. Since then, these unemployed persons were no longer obliged to search actively for a job.....This explains the odd phenomenon that more people get an unemployment benefit payment than there are unemployed. By now, there are twice as many recipients as there are registered unemployed". In the USA, Autor & Duggan (2001) show that the large increase in disability benefit claims, especially among unqualified people, since 1984 is strongly related to a rise in the value of the benefits relative to relevant earnings, and to relaxed criteria for benefit award. They estimate that this has reduced the measured aggregate unemployment rate by at least 0.65 of a percentage point. The processes involved have been similar to those in Britain, although the proportions of the labour force involved in Britain appear to be some 50% greater than in the USA (Autor & Duggan 2001, Nickell & Quintini 2001).

7. It is well known that the DE for many years actively promoted the transfer of unemployed people on to sickness benefits in order to reduce the recorded level of unemployment. Such reclassification actually formed part of the performance targets of

the Employment Service, being treated as a "positive outcome".

8. At Spring 2000 just over a third (34.1%) of the 2.3m working age inactive sick in Great Britain said they wanted to work. As a proportion of the UK working age population, this is more people than are inactive sick *in total* in Germany or France. If these people were counted as unemployed, they would add 2.7 percentage points to the UK ILO rate, bringing it to the same level as Germany. However this almost certainly underestimates the extent of disguised unemployment among the sick. Beatty & Fothergill (1999, pp.29-30) noticed in their surveys that the more unfavourable the state of the local labour market, the lower the proportion of men on IB who said they wanted to work. The LFS evidence confirms this effect in relation to the inactive sick as a whole. In 1998-99 the proportion of the inactive sick wanting to work was about 39% in the lowest unemployment areas, but only around 33% in the highest unemployment areas (FIGURE 5). In other words there is a "discouragement" effect among the inactive sick as well as among the officially recognised "discouraged workers".

Even without making any allowance for this discouragement effect, adding the long term sick wanting work to the ILO unemployed would raise the ILO rate by 1.5% in the lowest unemployment areas, rising to 4.2% in the highest unemployment areas. The differential is large because although discouragement is greater in the high unemployment areas, the number of long term sick is very much greater. This brings the total undercount in the ILO rate - including government trainees, "discouraged" workers and the long-term sick wanting work - to about 2.5% in the lowest unemployment areas, rising to over 6% in the highest unemployment areas. This latter figure by itself is greater than the UK official average ILO rate (4.9% at Spring 2001). Adjustment for the discouragement effect among the sick would raise the level in the high unemployment areas still further.

ONS, Eurostat, the ILO Rate, and Sickness

Unfortunately no official agency has yet been prepared to concede that measured ILO unemployment rates are affected by the incentives created by different national social security systems to move into other differing categories of worklessness. ONS, Eurostat and the other governmental agencies all claim that ILO rates are comparable between countries. It is true is that ILO rates are estimated using the same *procedure* in each country. But following the same procedure in different circumstances does not necessarily produce comparable results. Beatty et al. (2000) say "because of the interaction with recorded sickness, conventional measures of unemployment are distorted. The distortion varies...from place to place, and probably from country to country as well...(it) applies...to the supposedly standardized...(ILO) measure...the probability is that vast sums of Objective 2 aid will be misallocated between regions and between Member States on the basis of flawed statistics. Countries where the ILO unemployed represent an unusually low share of the broader unemployed are likely to lose out. The UK falls into this category...in the UK the diversion into recorded sickness has been especially pronounced".

A "Want Work Rate" (WWR) can be derived from the LFS. It is the sum of the ILO

unemployed and the economically inactive wanting work divided by the sum of all those in work or wanting work. It has some technical problems (Webster 2001b), but is a useful summary measure of the UK's overall worklessness from both a time series and an international perspective.

FIGURE 10 shows that the WWR in Britain is now much higher at over 12% than it was before the severe recessions of the 1980s and 1990s. By 1999 it had not fallen back even to the level of 1990, let alone that of 1981 or before. The UK's male WWR is the joint fourth highest in the EU, and its both-sex WWR in the highest unemployment regions is similar to that in the Italian south, rural Spain and the former East Germany.

In 1999, France had almost exactly the same WWR as the UK (13.0% compared to 12.9%). But France counts 91% of people not in work but wanting work as ILO unemployed, compared to the UK's 44%. This, together with the evidence cited earlier, strongly suggests that France is much better off in labour market terms than the UK. Because it has held on to the Beveridge principle of adequate unemployment benefits, it has maintained its unemployed people in a state of greater social inclusion and better health; and, whether overall worklessness is compared in terms of the WWR or of the sum of the ILO unemployed and the working age sick, this has led to a true rate of unemployment which appears to be no worse than Britain's and may well be better.

However, by declining to look at overall worklessness rather than at the ILO unemployment rate, British official and academic commentators currently give a self-deceiving picture in which the UK is presented as having a particularly successful labour market record compared to other countries. The high levels of male inactivity due to sickness are presented as an incidental anomaly or "imbalance" which is not directly related to economic performance. The key text here is Nickell & Quintini (2001); the weaknesses in their argument are discussed in Webster (2001c). The same line of argument is used by the Treasury and DWP in HM Treasury (2001).

Misuse of vacancy data

During the last 2-3 years there has been an attempt by the government to argue that there is no shortage of jobs anywhere in Britain. This has depended on misuse of job vacancy data, in order to sidestep the evidence on the geographical concentration of worklessness by suggesting that there are enough vacancies to employ all the unemployed and that these vacancies are sufficiently evenly distributed across the country to deal with geographical concentrations. HM Treasury (2000) is the principal text arguing this case, but there was also an important 4-part story ("Jobs for the boys, but the boys don't want jobs"; "Tough Love: Brown is right to clamp down on the workshy") placed as an "exclusive" in the London *Times* of 7 February 2000 by the Chancellor of the Exchequer and based on an apparent surge in vacancies in the north east which was due to distortion by the trial of the Employment Direct scheme. ONS has now suspended the job vacancy series, precisely because of this distortion (*Financial Times*, 12/9/01), although DWP has insisted on continuing to use it. The weaknesses of the government argument are discussed in detail in Webster (2000b). However, the same type of argument was still

being made, in a more muted way, by the Treasury and DWP as recently as last November (HM Treasury 2001).

Not all of the government argument on vacancies depends on misuse of statistics. In part, it is simple misunderstanding. One key point lies in a neglect of the different vacancy characteristics of different economic sectors: many services have higher turnover than traditional industries. The other important misconception - brought out in Codjoe (2001) - is based on lack of understanding of the spatial structure of local labour markets. It is argued that because high levels of vacancies are found in cities alongside high levels of unemployment, the unemployment cannot be due to lack of labour demand. But for the most part these vacancies merely represent turnover among the commuter workforce. Most British cities have central business districts with numerous, mainly white collar vacancies. This is why it is often true that "areas of high unemployment lie within easy travelling distance of areas where vacancies are plentiful". But the vacancies have to be set against the labour force in the city's whole commuting catchment area. Interestingly, comparisons of vacancies with unemployment are one of the few exercises for which TTWAs are in principle the correct geography (Webster 2000b; see also Webster 2000c).

Lone Parenthood

As a result of lack of attention to the geography of worklessness, as well as specific errors in the statistics, academics and officials have generally failed to grasp the crucially important relationship between unemployment and lone parenthood.

There is now overwhelming evidence that the huge rise of British lone parenthood since the early 1980s has been *caused* by the huge increase in male unemployment. This was a repeat of what had occurred earlier in the USA and had been quickly understood there by analysts such as Moynihan, Wilson and McLanahan & Garfinkel. Men without jobs are not, in the main, wanted as long-term partners. The British evidence is summarised in Webster (2000a), Holtermann et al. (1999), McKay & Rowlingson (1998), Gordon (1996) and Bradshaw et al. (1996). All of these papers were published *after* the present government, in opposition, worked out its policies, during 1993-95, in the first years of the Blair/Brown ascendancy and immediately after the Social Justice Commission report (1993). Lone parenthood can only be thoroughly studied using the Census, and at that time no systematic analyses of the 1991 Census results were available. Throughout its first term, the government focused on implementation of its preconceived policies, and it is only since June 2001 that some rethinking has started. This has not yet reached the areas of lone parenthood, or welfare, employment and economic policy more generally. Consequently the government is burdened with a view of the lone parenthood problem which is - because of the Census data delays - approaching two decades out of date.

A graphic example of the difficulties in the analysis of lone parenthood caused by errors in the unemployment statistics is contained in HM Treasury (2001). Understatement of the closeness of the relationship between lone parenthood and unemployment enables the paper to avoid facing up to its causal nature. It describes the doubling of lone parent

families between the late 1970s and mid 1990s as "demographic" (3.20), i.e. independent of the economy. But the paper uses "workforce" unemployment rates instead of valid residence-based rates (which could perfectly well have been constructed for the purpose). According to Chart 3.16, there is a correlation of 0.73 across GB local authority areas of lone parents on Income Support (expressed as a percentage of the working age population) with the local unemployment rate. But when the unemployment rate is corrected to be a true resident rate, the correlation turns out to be much higher, at 0.83 (FIGURE 11). The LFS data show that the very strong relationship between lone parenthood and unemployment across local authorities did not weaken between 1991 and 2000 (FIGURE 7).

The government sees the rise of lone parenthood as something which occurred in parallel with the rise of unemployment but not because of it. Misled like the former government of New Zealand (Goodger 1998) by spurious analysis, it has entertained the arguments of the US Right that lone parenthood has been encouraged by welfare benefits. This was the reason for its removal of lone parent benefits in December 1997, now seen as a key mistake of its first term. It still believes that welfare benefits for lone parents must not be raised to levels which would eradicate child poverty in this group, instead believing that an answer can be found by pushing and pulling lone parents into work through measures such as WFTC and "work-focused interviews".

The fact that lone parenthood rose closely in line with unemployment across areas means that this approach cannot work. It was loss of jobs from the affected areas which caused family breakdown; this same loss of jobs means that local labour demand is too weak to re-employ the large numbers of lone parents involved, even if this was the right approach (in fact re-employing the fathers ought to have much higher priority). Performance data on WFTC is already demonstrating this. While the overall rate of claim has increased in all areas, the increase over Family Credit at August 2001 was 20% of lone parent families in the lowest unemployment areas, compared to 10% in the highest unemployment areas (FIGURE 9 – details of methodology in Webster 2001d). This relative position reflects the fact that the proportion of lone parents in work was already twice as high in the lowest as in the highest unemployment areas, again a position which was unchanged between 1991 and 2000 even though the proportion in work rose by around 10% across the board (FIGURE 8). The reality is that without a major increase in labour demand in the areas where the bulk of them live, not enough lone parents can be got into work to make subsidised employment a viable strategy to address child poverty. To attain the government's target of a 70% employment rate for lone parents in the next decade would require negligible further increase in the most prosperous areas, but a virtual doubling in the poorest areas - an increase three times greater than in the last decade.

Failure to register the connection between lone parenthood and unemployment has created major problems in official demographic forecasting. For instance, the official Scottish Executive 1998-based projections for Glasgow, based on blind extrapolation of past trends, imply a doubling of the current number of lone parent families over the next 10 years. This would be a social catastrophe if it were to occur. But it is extremely unlikely. Because unemployment topped out in the mid-1990s, so did lone parenthood

and the current trend is of no increase over a figure one third lower than the 1998 base assumed in the projections.

The consequences

The evidence clearly indicates that Britain has a huge problem of unemployment, associated with massive problems of working age sickness and family breakdown, all heavily concentrated in areas of industrial decline and caused by a collapse in demand for labour caused by that decline (Webster 1998, 2000b, 2001b). But Whitehall policy makers, most academics, and influential sections of the public, are caught in a vicious circle. The various statistical misrepresentations have strengthened the views of "supply-side" theorists of unemployment. In so far as the role of deindustrialisation and labour demand deficiency is acknowledged at all, it is in terms of a non-spatial decline in the demand for “low skilled” labour rather than in the demand for labour overall. This perspective in turn has undermined interest in realistic description of the geographical pattern of unemployment at sub-regional level, and made it more difficult to reform the statistics.

There is excessive emphasis on supply-side labour market policies aimed in a blanket way at all the workless. These are being pursued at the expense both of urgently needed investment in physical infrastructure in areas of industrial decline, and of policies for those with genuine labour market handicaps, who have suffered from the withdrawal of properly funded programmes such as the Community Programme which previously targeted them. There is too little emphasis on urban and regional policy, leading to a combination of excessive labour market tightness in prosperous areas such as the outer south east and excessive looseness in areas such as Glasgow (RSA 2001). Most fundamentally, the adverse effects of the decline of manufacturing are being greatly underestimated. This decline has been far greater than in other OECD countries; Bob Rowthorn notes that since 1973, British and US manufacturing output have increased by 14% and 114% respectively (Rowthorn 2001; see also Rowthorn 2000). Consequently, overvaluation of the pound is seen as less serious than it is, other policies are insufficiently supportive towards manufacturing, and there is too much emphasis on monetary as against fiscal policy in managing the economy.

It is hard to see the current set of official policies being effective. Significantly, Nickell & Quintini (2001) are pessimistic about the prospects for the problem of male working age sickness.

Why are the official unemployment statistics so misleading?

What are the reasons why British official statistics have come to present such a misleading picture of the country’s unemployment problem?

Clearly there are some technical factors at work. To a considerable extent we are dealing

with a novel problem. There has never previously been such a large group of people claiming sickness benefits who in other respects appear to be unemployed; hence the problem of measurement is a new one. Since this problem emerged only in the mid-1980s, both in the UK and in other countries such as the USA and the Netherlands, it was not unreasonable in 1984 to adopt an ILO definition which did not take account of it. Similarly, the problem of defining local labour markets has been greatly exacerbated by the huge increase in long distance commuting over the last 40 years; 1961 TTWAs were not nearly so bad as those defined in 1998. Technology has also been a problem. It is difficult to resolve the problems in the local official unemployment series without full postcoding of data, which was only introduced in 1993 (although underfunding may have played a part here).

Bureaucratic inertia has also played an important part, particularly in the TTWA system which has evolved over three quarters of a century. Inertia has been greatly increased by the Whitehall convention of giving "ownership" of statistics to individual departments - in this case the DE. The ILO, OECD and Eurostat, who must share responsibility, also appear strongly affected by inertia. In the case of ILO rates, ONS has succumbed to the temptation noted by Thomas (1998b), of claiming that conformity to an international standard of itself guarantees statistical integrity, whether or not the statistic actually contribute to understanding the conditions of society.

However, these are not full explanations. Some of the worst misrepresentations are of recent origin, with the "workforce" statistics dating only from 1996. And it can scarcely be an accident that the misrepresentations taken together are such as to advance a particular supply-side view, namely that UK economic performance has been good, the loss of manufacturing does not matter, and worklessness is primarily due to deficiencies in the workforce or in the social security system rather than to decisions by investors or the government.

The role of the Thatcher administrations was fundamental. Margaret Thatcher was quite open in her disbelief in the value of an independent civil service. She regarded it as part of an outdated establishment which had to be overthrown. Famously, appointments and retirements were used to install people of whom it could be said that they were "one of us". The internal climate within the civil service became intellectually repressive; this became clear when after a year or two of John Major's premiership, civil servants privately started commenting with relief on the disappearance of what they called the "thought police". Thatcher's own thoughts on unemployment were remarkably simplistic (Thatcher 1993). Although she was told about the role of the high pound under Geoffrey Howe (p.52), she preferred to explain it in terms of excessive wage rises (p.52), demographic factors increasing the labour force (p.154), overmanning and inefficiency, strikes, technological change, changes in the pattern of world trade, the international recession (p.292) and "council estate culture" (p.671). In this climate, statistical work in government was not going to get very far if it pointed to the role of deindustrialisation in promoting unemployment.

Thatcher thought that recovery could be achieved by reducing government (p.148) and

among the reductions were huge cuts in the government statistical service, whose staffing was reduced by 53% over her first decade, with "employment etc" cut by 78% (RSS 1990). These followed the 1980 Rayner review of the government statistical service. Muriel Nissel, in an article commissioned but then dropped from *Social Trends* as too controversial (Nissel 1995), explained the hugely damaging impact which Rayner and the associated political changes had on government statistics. Rayner introduced the doctrine that "in general there is no more reason for government to act as universal provider in the statistical field than in any other". The idea of a general duty to inform public debate was replaced by the notion that statistics had to have a paying customer, either the government itself or an outside group with the money to buy them. In relation to government statistics, the public were reduced to the status of onlookers through a "window".

Nissel pointed out that statistics divisions within departments were made to focus more narrowly on immediate policy needs, statisticians became more cautious, material was more carefully screened before going outside and policy branches were given more influence over the statisticians. Overall, the status of statisticians within government was greatly lowered. Nissel singled out DE in particular as insisting on changes to an article about unemployment in *Social Trends*, which failed in those years adequately to disclose growing inequality, largely resulting from higher unemployment.

At the same time, the efforts of DE and the Employment Service came to be directed very substantially towards the concealment of unemployment. The junior Employment minister Alan Clark, writing in relation to 1983, reveals a good deal in referring to "these tacky schemes to get people off the Register" (Clark 1994, p.22), although he does not suggest manipulation of the statistics as such.

As Nissel notes, there was a gradual relaxation under John Major. But the effects of the Thatcher period are still powerful today, not least because very little new money has come into the government statistical service and much of that has been tied to a policy agenda, such as sorting out the gross unreliability of earnings data or introducing national "neighbourhood" statistics. The civil service had come to be strongly influenced by Thatcher's outlook, and in particular found it difficult to acknowledge the damage done by deindustrialisation because of its shared responsibility for it. And the habits of policy influence over government statistics which became established in the 1980s have proved enduring. The then Employment Minister Tessa Jowell responded to the comments by Alan Sinclair in 2000 quoted earlier by saying "Unemployment figures are independently audited". This may be true in principle but it is not yet the case in reality. ONS to date has re-examined very few issues, and these have not included the question of treatment of the sick and its implications for interpretation of the ILO rate. Good practice is returning very slowly. Thatcher's legacy was not just mass unemployment on the ground. It was also a government machine unable to describe the problem accurately.

Because of their closeness to the processes involved, local authorities are better able than central government to understand the causes of their unemployment problems. But one of the major trends of the past 25 years has been the reduction in their power and status.

This started in the mid-1970s as a straightforward rolling back of the financial expansion of the 1960s, but under Thatcher and Blair became a much more conscious assault on the governmental role of local government. Local government has been weakened by the fact that businesses have become less attached to particular places, as also have individuals, who are geographically more mobile. Local authorities in their weakened state are seen by government statisticians as a less important client, so that fewer resources have been put into producing good quality statistics at local government level; it is striking that development of neighbourhood level statistics – one of whose functions is to allow central government to bypass local government - has been given higher priority than resolution of the blatant inadequacies of statistics at the local authority and local labour market levels. The government for whose needs Rayner said statistics should be produced never included local government (Hoinville & Smith 1982, p.199).

At the same time, the independence of university researchers has been undermined by changes in financing. They have been made much more dependent upon winning government contracts, while direct public financing has been made dependent upon the Research Assessment Exercise (RAE). This promotes publication at all costs, making it difficult for researchers to spend time on unpopular lines of inquiry in which publication may be delayed or blocked by referees' objections, and causing the journals to fill up with mediocre material.

Changes in the economics profession have also played an important role. The last 40 years have seen the rise to dominance of mathematics and econometrics-based economists who are primarily interested in modelling, and the almost complete demise of the older type of "applied economist" who had a broad knowledge of business and affairs. Economists have become much narrower and have largely lost such interest in spatial matters as they previously had. The focus on modelling is so strong that inquiry into the validity of data sources, or the relevance of models to the real world, are regarded as tasks for lesser minds. The employment of economists has changed, with far more jobs concerned with the analysis of financial markets and relatively fewer concerned with human welfare; many if not most economic commentators on unemployment are employed by the financial services industry. At the same time, geographers and physical planners have lost status, influence and self-confidence, leaving the field of unemployment more completely under the control of non-spatial economists. Economists as a profession have been strong advocates of deindustrialisation, and find it difficult to admit its adverse effects.

These trends have left the official statisticians largely without effective academic critics. Many influential academics regard local unemployment statistics – which are particularly crucial given the nature of the British problem - as being beneath their attention, while many of those who do understand them are too depend on government contracts to argue.

Supply-side policies have themselves created groups with an interest in their perpetuation. When Michael Foot as Employment Secretary first introduced temporary employment schemes in the mid-1970s, they were not claimed to be a solution. They were simply thought to be better than leaving people with nothing to do. But as time has

gone on, the claims for their efficacy have become more vigorous and harder to challenge. The DE itself owes its survival (in various incarnations) largely to the continued government commitment to supply-side policies and has a vested interest in justifying them.

Economic theories which attribute responsibility for unemployment to the unemployed themselves naturally tend to appeal to many (though of course not all) business interests. This is illustrated by the views of the Institute of Directors (2000). More specifically, the decline of manufacturing has created a vicious circle in which manufacturing interests are no longer strong enough within business to protect themselves. The turning-point here was probably Campbell Adamson's "bare knuckle fight" speech to the 1981 CBI conference, which had the unintended effect of revealing that a majority of the organization no longer thought that manufacturing mattered. Not only does the UK now have relatively few manufacturing companies; manufacturing is no longer considered a core activity even by most of them. Within those companies power has shifted from those involved with production, such as engineers, to those concerned with finance, such as accountants.

The unemployed themselves have very little power to influence their treatment. As a result of benefit cuts, they are much poorer and more stressed than before. Because of the nature of the unemployment problem, they are heavily concentrated in areas which are seen as unimportant in the political system because their voters "have nowhere else to go". And supply-side programmes must affect their own attitudes, by constantly delivering the message that their problems are due not to structural factors in society but to their own inadequacies.

The current situation is in fact exactly what could be predicted from consistent application of the Rayner doctrine that the only statistics that should be produced are those that have a "market", either in or out of government. There is clearly a substantial market for statistics supporting a supply-side view; a legion of interests are looking for them. But what is the market for statistics truthfully showing the situation of the unemployed - poor, predominantly manual workers as they are, living in declining areas of the country without effective influence in the political system?

What can be done about it?

In the light of the balance of interests just outlined, it is unlikely that further improvement in the official unemployment statistics will come about as a result of specific political action aimed at this result, at least until, with the passage of time, the ineffectual character of the supply-side policy package becomes too obvious to deny. The only realistic immediate way forward is to pursue the general programme for reform of official statistics with which Radical Statistics and the RSS are both associated. This comprises an independent government statistical service on a statutory basis, with much better funding. One recent estimate by a lay adviser to ONS from the business community was that an adequate suite of labour market statistics would cost an additional £50m per year.

There has already been some progress. Although both inadequate and inadequately supported by ministers, the Statistics Commission and the *Framework for National Statistics* (June 2000) are an advance on what went before. The *Framework* does reinstate the public service principle that the primary aim of the government statistical service is to provide "a comprehensive and meaningful description of the UK economy and society", and the influence of the Rayner doctrine is visibly waning. As noted earlier, there have been modest but encouraging specific moves by ONS in relation to the vacancy and "workforce" unemployment statistics, involving the assertion by ONS of its independent role against the "departmental ownership" claims of DE (now Department of Work and Pensions).

There is a general acceptance that, as Nissel said, "Genuine democracy must be based on sound and reliable information". Although there is not much of a constituency for better unemployment statistics as such, there is quite a strong constituency for better official statistics in general. This is where hope must lie.

ACKNOWLEDGMENTS

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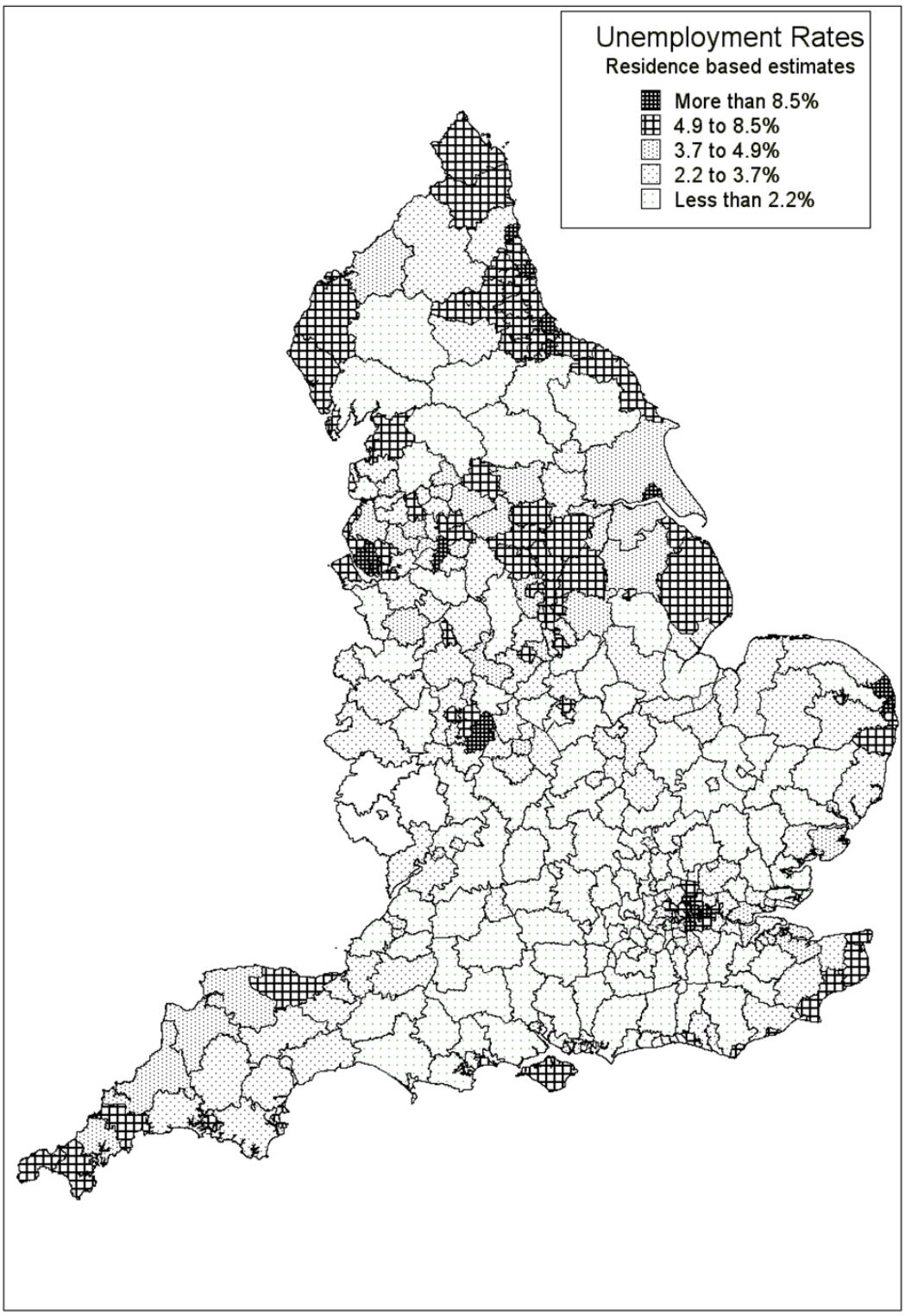
Note to Maps 1A and 1B: The ONS rates as published in Labour Market Trends have been corrected for commuting error.

MAP 1A
Local Authorities - England
Unemployment January 2000



MAP 1B
Local Authorities - Scotland
Unemployment January 2000

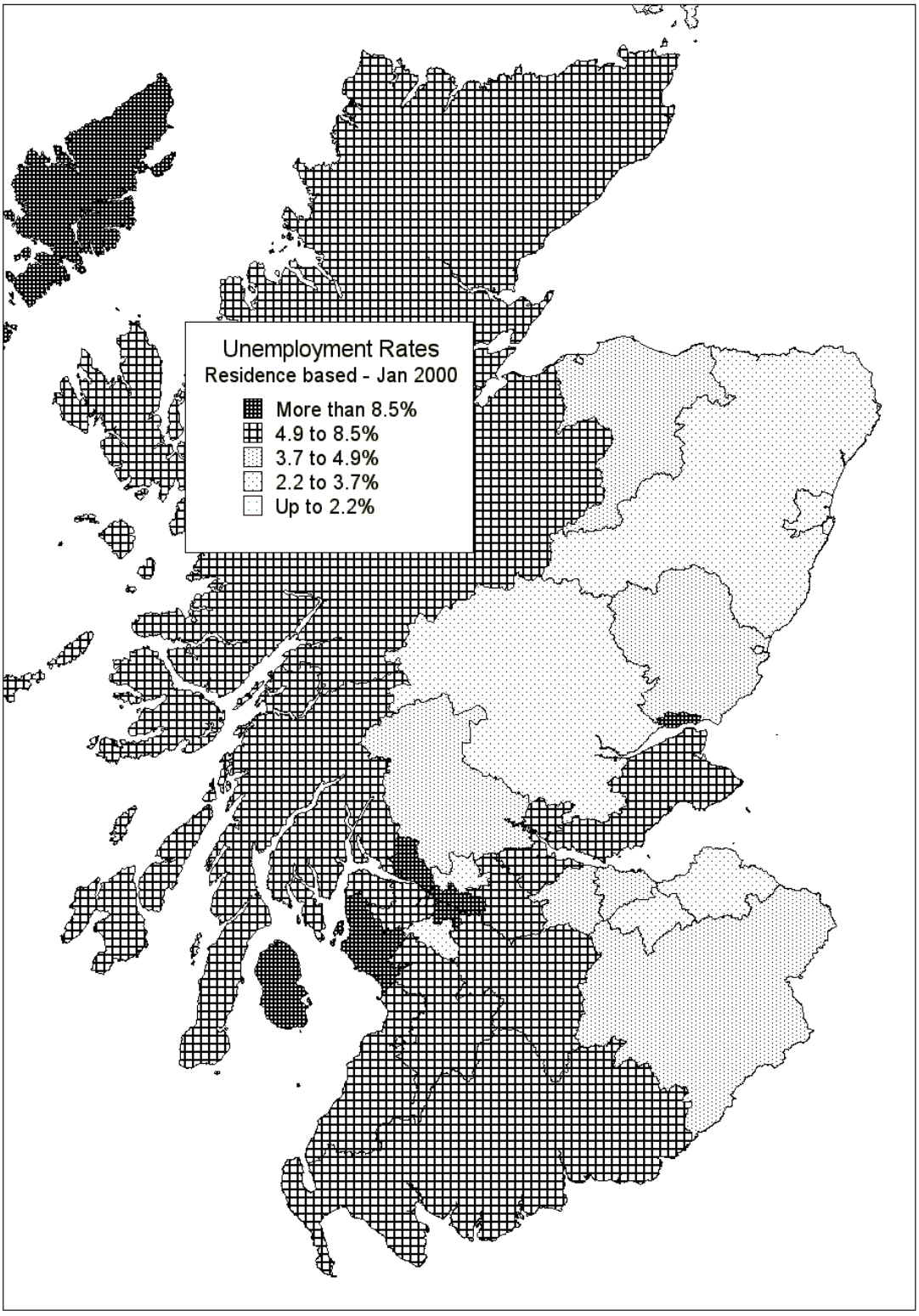


FIGURE 1 GOVERNMENT TRAINEES AND "DISCOURAGED WORKERS" AS % OF ECONOMICALLY ACTIVE
GB LOCAL AUTHORITIES BY LEVEL OF UNEMPLOYMENT LFS 1998 AND 1999

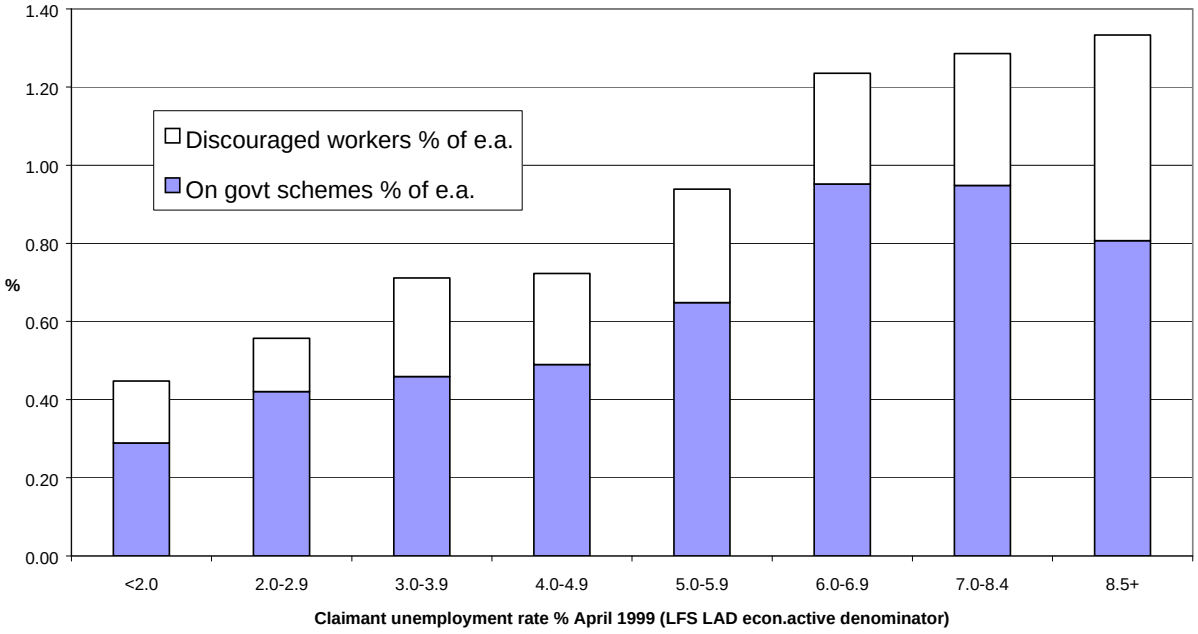


FIGURE 2 WORKING AGE CLAIMANTS OF SICKNESS, INVALIDITY AND INCAPACITY BENEFITS LONG TERM (over 6 months)

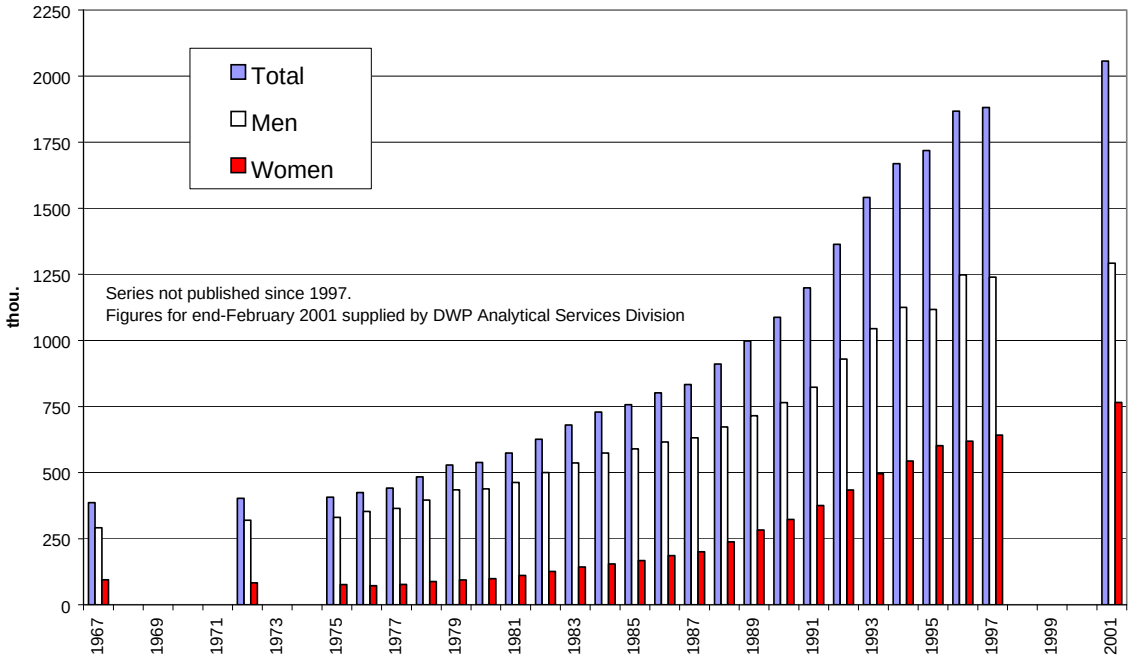


FIGURE 3 ILO UNEMPLOYMENT AND INACTIVITY DUE TO SICKNESS/DISABILITY (both as % of working age population) EU COUNTRIES 1999

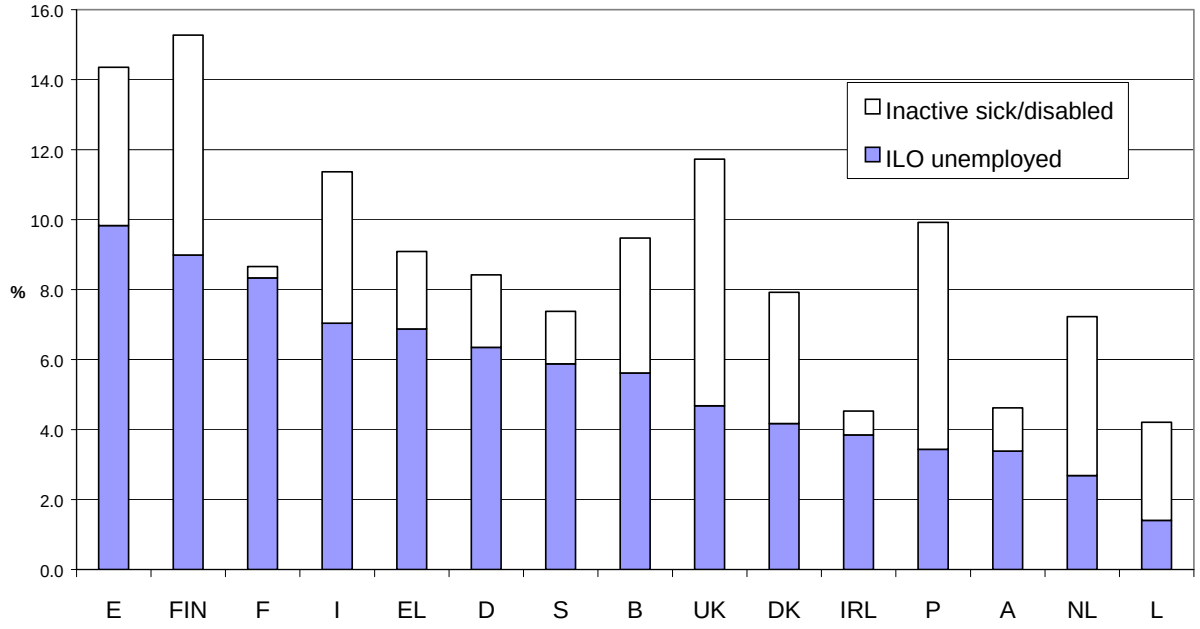


FIGURE 4 WORKING AGE POPULATION CLAIMING SICKNESS OR DISABILITY BENEFITS GB LOCAL AUTHORITIES BY LEVEL OF UNEMPLOYMENT, 1999

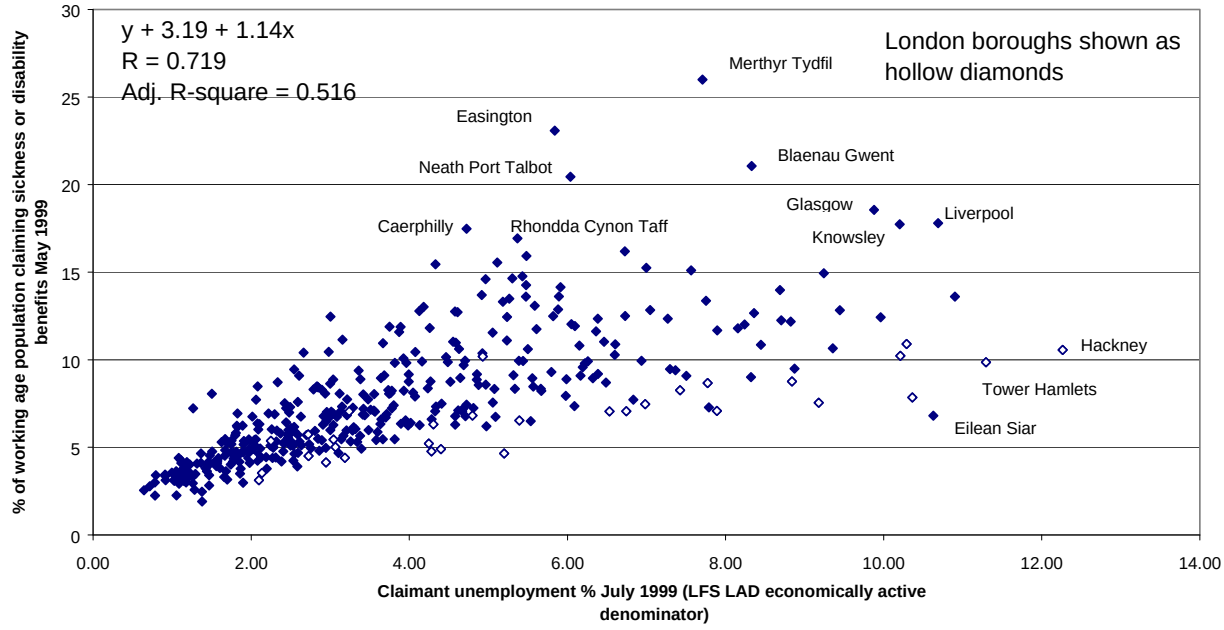


FIGURE 5 PERCENTAGE OF INACTIVE LONG-TERM SICK WANTING WORK GB LOCAL AUTHORITIES BY LEVEL OF CLAIMANT UNEMPLOYMENT, LFS 1998 AND 1999

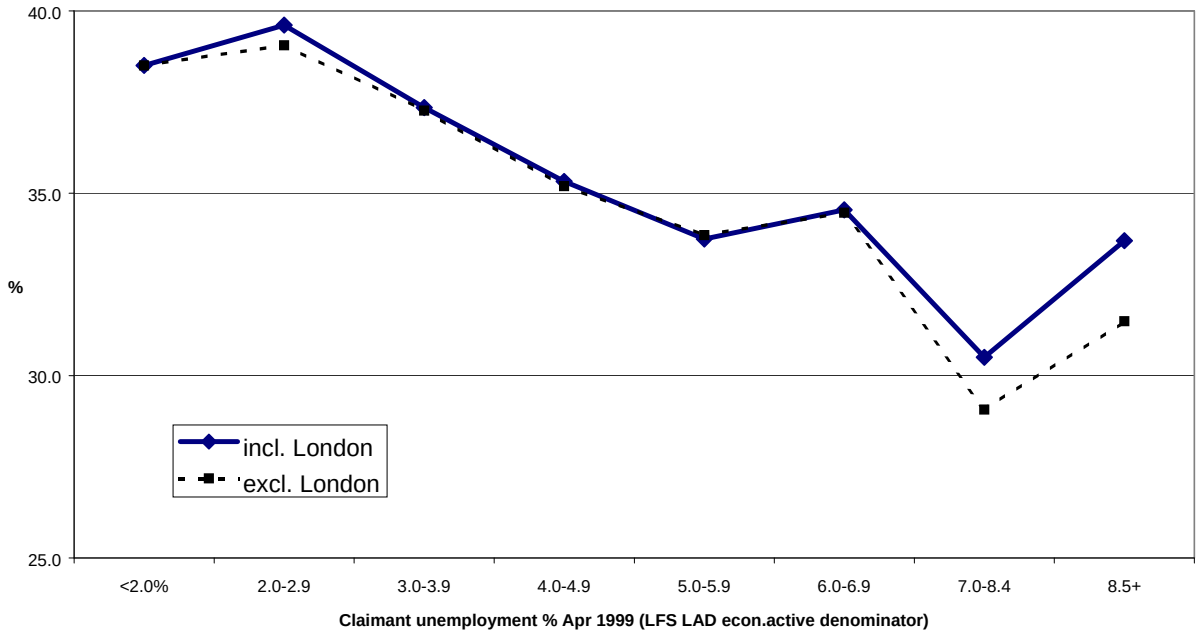


FIGURE 6 FEMALE LONE PARENTS AS % OF HOUSEHOLDS WITH CHILDREN - EU COUNTRIES 1999

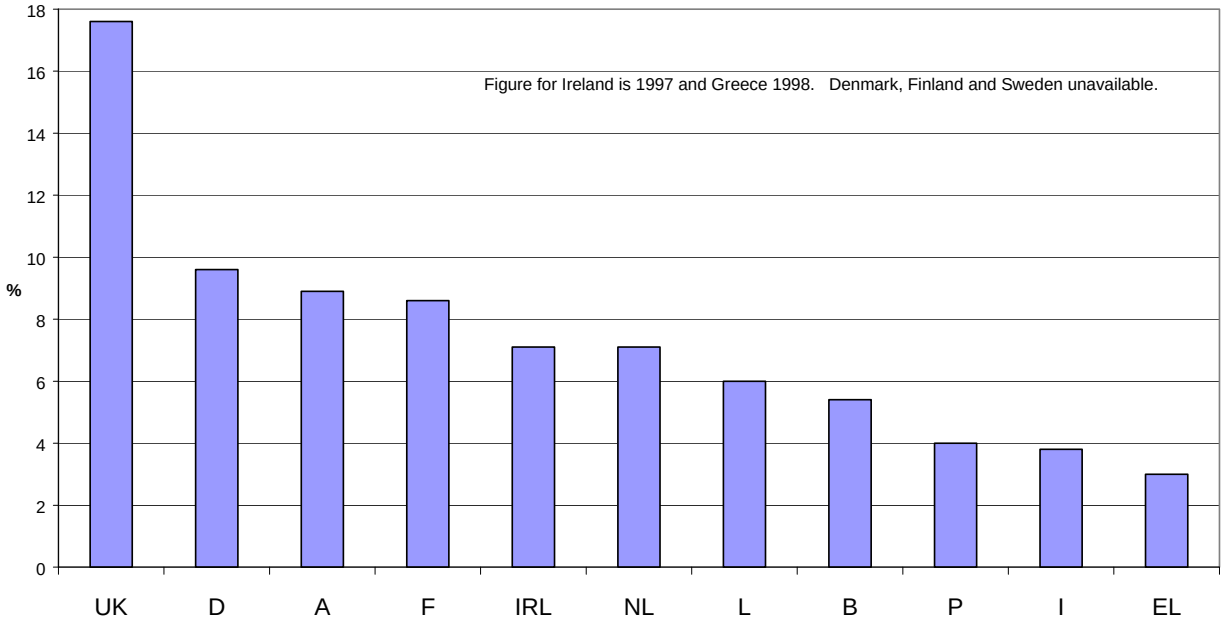


FIGURE 7 PERCENTAGE OF FAMILIES WHO ARE LONE PARENTS
CENSUS 1991 AND LFS Spring 2000 - GB LOCAL AUTHORITIES BY LEVEL OF UNEMPLOYMENT

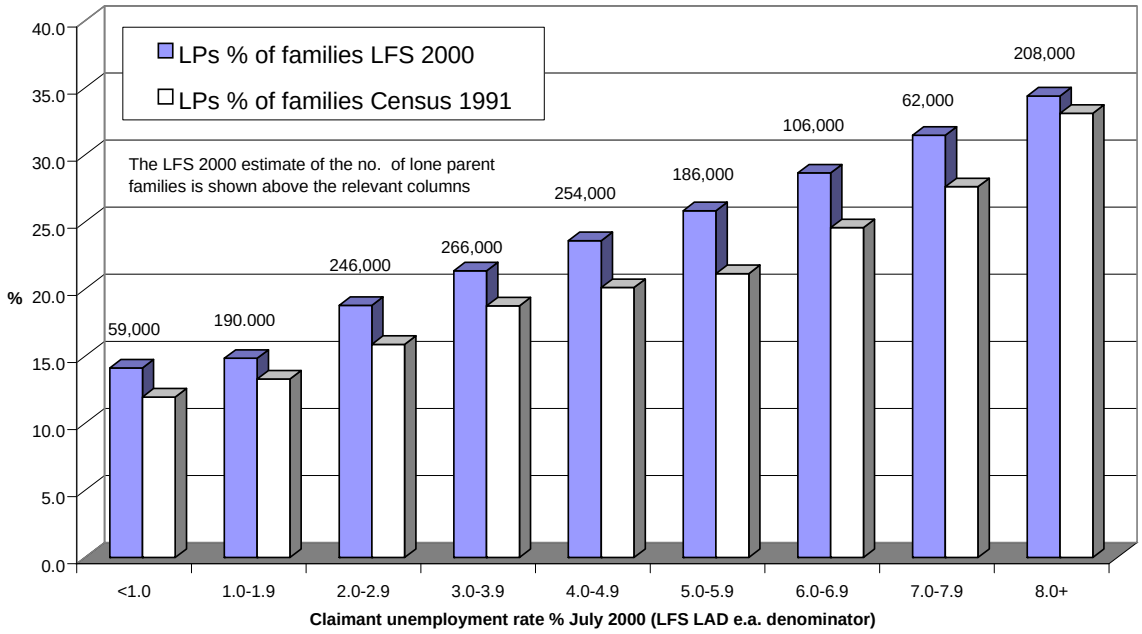


FIGURE 8 EMPLOYMENT RATES OF LONE PARENTS (M. & F.) with dependent children
CENSUS 1991 AND LFS Spring 2000 - GB LOCAL AUTHORITIES BY LEVEL OF UNEMPLOYMENT

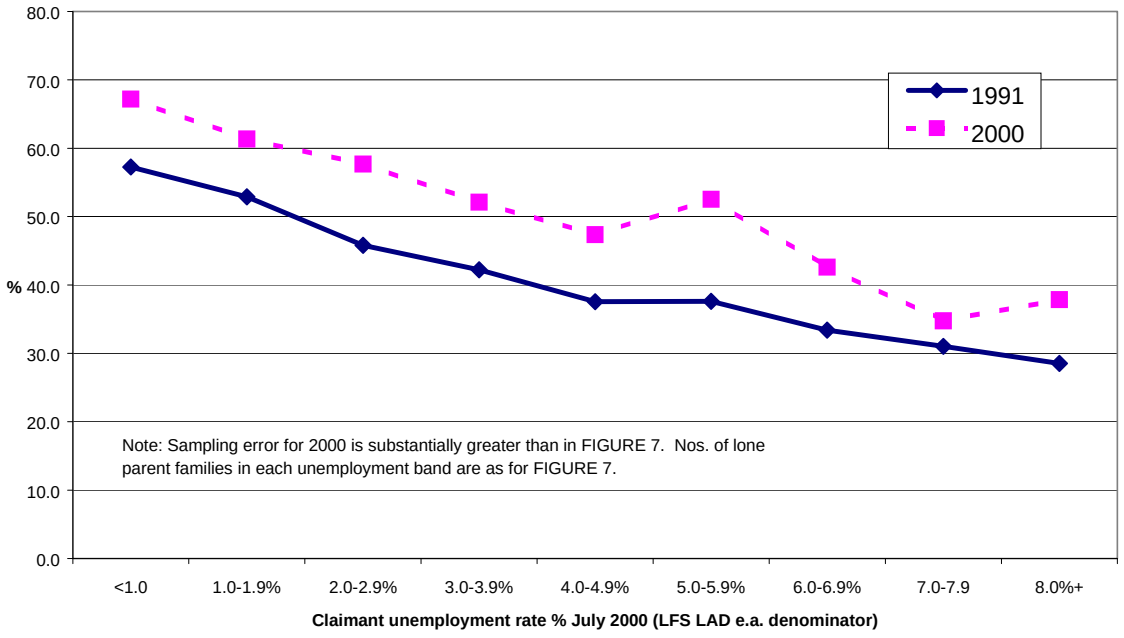


FIGURE 9 INCREASE IN WFTC OVER FC Aug 1999 - Aug 2001 AS % OF FAMILIES GB LOCAL AUTHORITIES BY CLAIMANT UNEMPLOYMENT RATE

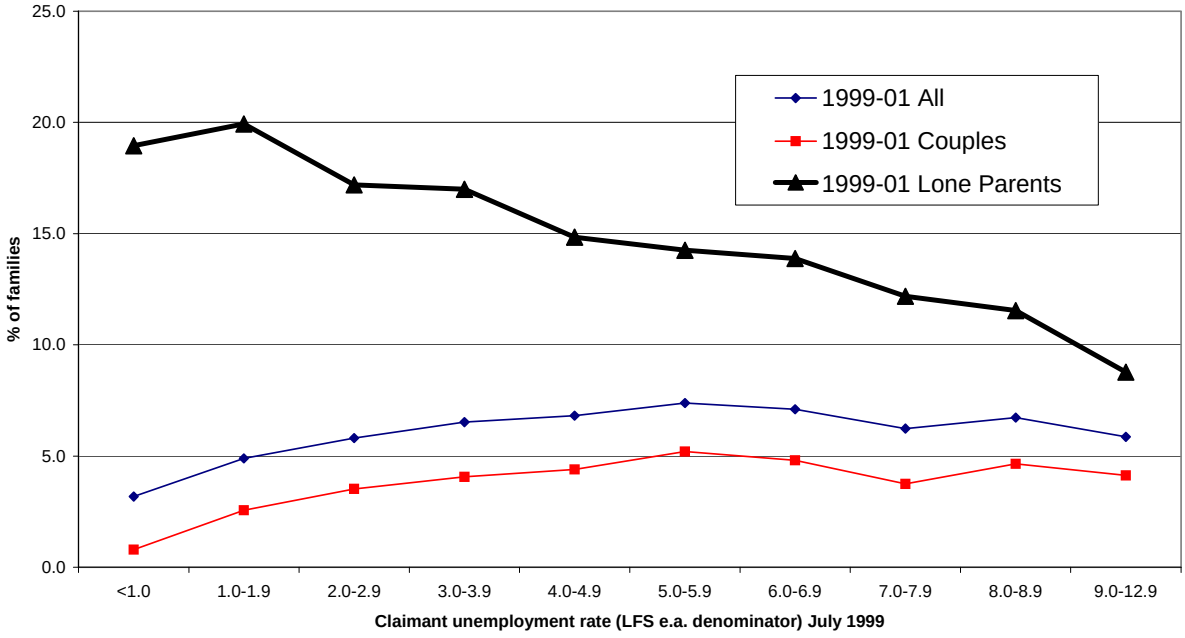


FIGURE 10 UK WANT WORK RATE AND ILO UNEMPLOYMENT RATE 1977-

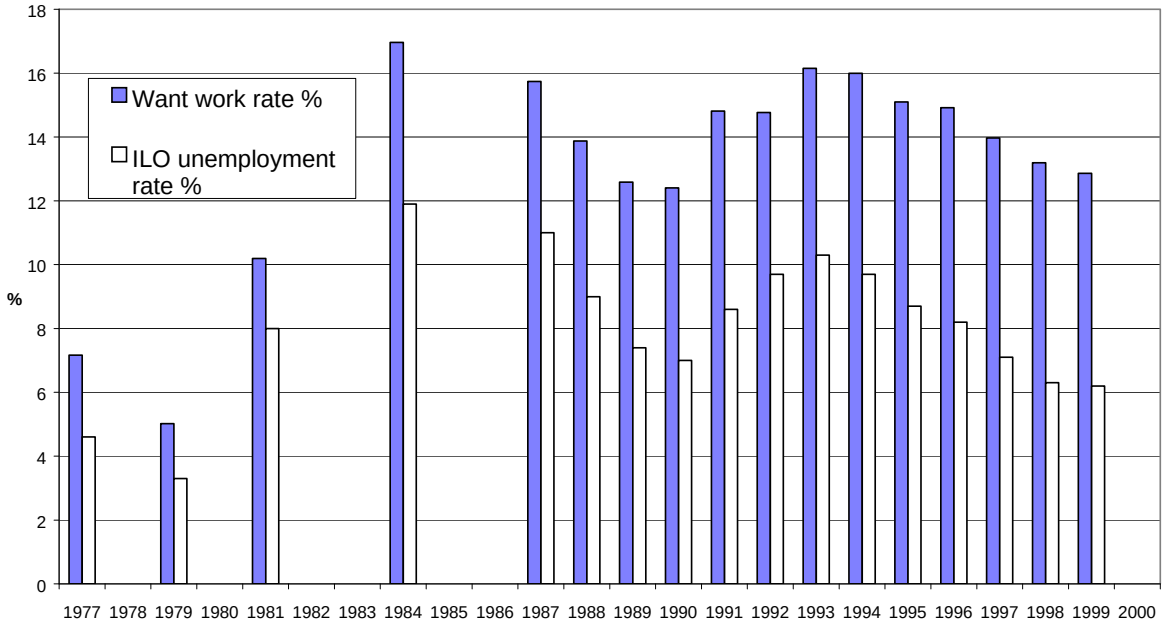
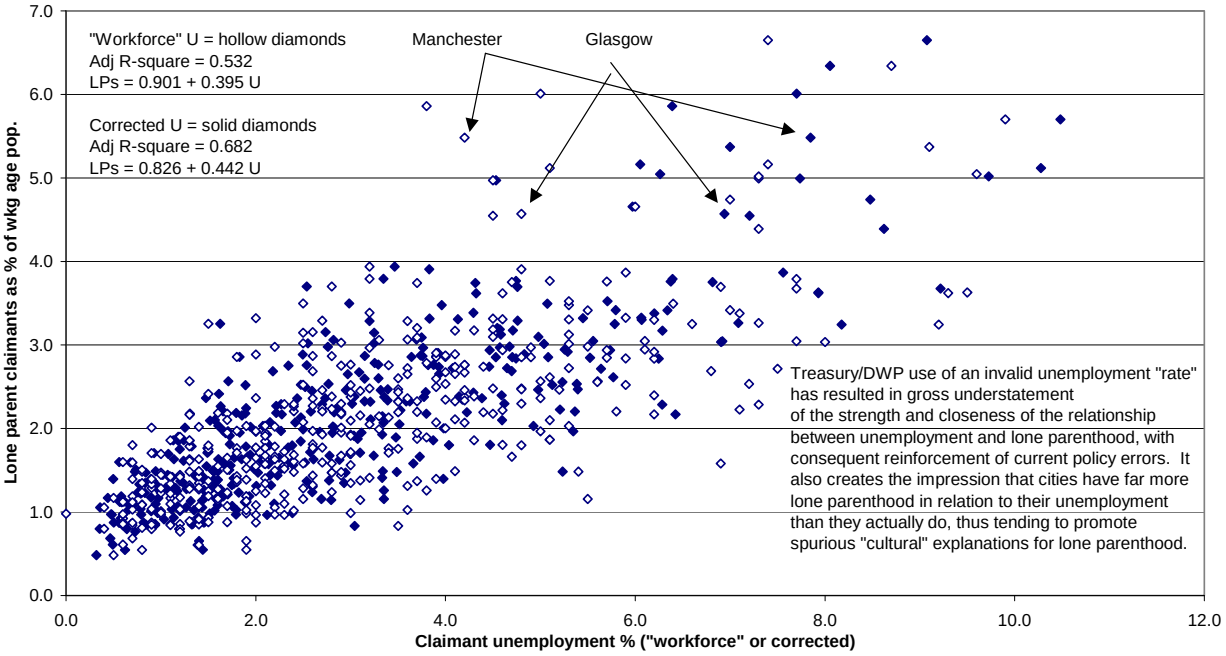


FIGURE 11 LONE PARENT CLAIMANTS BY "WORKFORCE" AND CORRECTED CLAIMANT UNEMPLOYMENT, BY LOCAL AUTHORITY May 2001



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UNEMPLOYMENT CONVERGENCE IN 1990s BRITAIN: HOW REAL?

DAVID WEBSTER

Introduction

Since the Winter quarter 1993/94, the Labour Force Survey Quarterly Bulletin (now Supplement) (LFSQS) has carried a table "Summary for counties and larger local authority districts". With the publication of the May 1999 issue containing data for Winter 1998/99, there is now a complete run of five years' data, covering the whole of the recovery and upturn from the trough of the early 1990s recession. The object of this article is to use these data to investigate the spatial pattern of employment change across Great Britain and the consequent spatial changes in unemployment and economic inactivity.

In aggregate terms, British labour market performance can be presented as moderately good over this period, with total employment rising from 24.793m to 26.562m (or from 24.329m to 27.253m, depending on which LFS table is used), and ILO unemployment falling from 9.9% to 6.2%. But economic activity (all aged 16+) has scarcely risen, from 62.3% to 63.0%, and has actually fallen significantly further for men, while there is plenty of evidence of continuing distress in many parts of the country, particularly in the north and west as well as inner London and some seaside towns in the south.

There is a particular focus here on the urban-rural dimension and on the issue of disguised unemployment. To the extent that economic analysis has a spatial dimension at all, it is nearly always carried out in terms of the "regions" which, with modest variations, date from before the war. Yet many authors have shown that the most important labour market changes in the past three decades and especially since 1979 have been occurring at intra-regional level, in particular as a result of "urban-rural manufacturing shift" (Townsend 1993; Dept of Employment 1995, p.357; Green & Owen 1998; Turok & Edge 1999). Also, economic analysis commonly treats "ILO" unemployment rates as if these captured real changes in unemployment. The analyses of Beatty, Fothergill and their colleagues (1997, 1999) and of Gregg and Wadsworth (1998) indicate that much unemployment is concealed in the form of economic inactivity, especially in the areas where labour surpluses are worst. The latter authors point out that in 1986 to 1997, three-quarters of the fall in male employment was translated into inactivity rather than unemployment, and that the large rise in inactivity among working-age men from 9% in 1977 to 16% in 1997 is one of the country's most serious problems.

This article shows that the Labour Force Survey (LFS) now offers a viable basis for a more satisfactory analysis, incorporating both the urban/rural dimension and economic inactivity along with ILO unemployment. So far as possible, therefore, the following spatial areas were identified separately: conurbation cores; outer conurbations; free-standing cities; and other areas. Analyses are reported here in terms of two groupings:-

* 73 individual areas, selected from the LFSQS table as far as possible according to the above categories. These areas form the main basis for the analysis. A complete list is shown at Appendix 1. The great majority (60) had a 1998/99 16+ population in the range 0.2m-0.8m, with only three (Inner London, Outer London and Greater Manchester excluding Manchester) being above 1.5m.

* Aggregates of these 73 areas categorised by type. These are: core cities (Glasgow, Newcastle-upon-Tyne, Liverpool, Manchester, Sheffield, Bradford, Leeds and Birmingham); rest of the conurbations; inner London; outer London; other cities (Sunderland, Hull, Doncaster, Leicester, Nottingham, Coventry, Bristol); northern counties; midland counties; southern counties; Wales; and Scotland excluding Glasgow. This is similar to the categorization used by Turok & Edge (1999). A summary of the figures for these groups of areas is at Table 1. For comparison, a summary in terms of the standard planning regions (not Government Office Regions) is at Table 2. Data and analytical issues are discussed in more detail in Appendix 2.

Unemployment and Economic Inactivity in 1993/94

The highest levels of ILO unemployment in 1993/94 were found in cities and conurbations: Manchester, Liverpool, Inner London, Birmingham, Cleveland, Glasgow, the South Yorkshire conurbation excluding Sheffield and Doncaster, Mid-Glamorgan, and Merseyside excluding Liverpool (Figure 1). Economic activity was strongly (negatively) correlated (0.67) with ILO unemployment, with Liverpool, Manchester and Glasgow having the lowest economic activity rates. The lowest unemployment rates were generally in rural or small town areas: Leicestershire excluding Leicester, N.Yorkshire, Berks/Oxfordshire/Isle of Wight, Grampian, and Somerset & Wiltshire; these areas also had high economic activity rates.

The same urban/rural differential shows up in the analysis by area type, with Inner London and the core cities having the highest unemployment and the core cities having the lowest economic activity. Conversely, Midland, Southern and Northern counties had the lowest unemployment and Midland and Southern counties had among the highest economic activity rates.

Unemployment and Economic Inactivity in 1998/99

Five years later, the range of unemployment rates had fallen substantially. In 1993/94 it was from 4.5% to 21.3%; by 1998/99 it was from 2.6% to 14.0% (Figure 2). This is consistent with the view that unemployment rates have converged across areas. Nevertheless, 9 out of the 73 areas still had unemployment at 10% or higher. Moreover, the changes in economic activity do not indicate convergence, rather the reverse.

The correlation between unemployment and economic activity had strengthened further, to 0.76, suggesting that Beatty et al. are correct in arguing that some components of economic inactivity have become more like unemployment in recent years. The range of economic activity rates had actually widened. In a period of upturn it is not surprising that the highest rate rose, from 69.7% in 1993/94 to 71.9% in 1998/99. But the lowest rate actually fell, from 50.0% in 1993/94 to 49.0% in 1998/99. Whereas all but four areas (Sunderland, Central and Rural Scotland, and Dyfed)

saw a fall in their ILO unemployment rate, no less than 31 areas (two-fifths) saw increases in inactivity. These included 5 out of 8 urban cores, 4 out of 7 "rest of conurbations", 3 out of 7 other cities, 4 out of 7 northern counties, 3 out of 9 midland counties, 7 out of 19 southern counties, 2 out of 7 Welsh areas, and 3 out of 7 rest of Scotland areas. Cores, conurbations and the north therefore did particularly badly.

The contrast in terms of convergence between unemployment and inactivity is illustrated in Figures 3 and 4, which show the change 1993/94-98/99 by level in 1993/94 for unemployment and economic activity respectively. Whereas there is a clear, if not particularly strong, correlation (0.54) between change and initial level for unemployment, the similar correlation for economic activity is not statistically significant. This picture is confirmed when the change in the numbers unemployed or economically inactive is plotted against the unemployment rate in 1993/94 (Figure 5). There is no relationship.

The urban/rural divide remained strong in 1998/99 in relation to both unemployment and inactivity. The highest unemployment rates were once again found in urban areas: Sunderland, Liverpool, Glasgow, Cleveland, Hull, S.Yorkshire excluding Sheffield, Merseyside excluding Liverpool. All these areas also had low economic activity rates. It is notable that this list is now more exclusively northern than in 1993/94, indicating a regional as well as urban/rural dimension of change. Conversely, the lowest unemployment rates were again in rural/small town areas: Avon excluding Bristol, Surrey, Berkshire/Oxfordshire/Isle of Wight, Somerset & Wiltshire, Hertfordshire, Northamptonshire, W.Sussex, Cambridgeshire, Warwickshire, Leicestershire excluding Leicester, N.Yorkshire, Hampshire, Suffolk. All of these areas had high economic activity rates.

By urban/rural area type, the highest unemployment rates in 1998/99 were in Inner London, other cities and core cities, and the lowest in Southern, Midland and Northern counties. The lowest economic activity rates were now in core cities and other cities, and also in Wales. The range of unemployment rates for urban/rural area types had fallen. In 1993/94 it was from 7.7% to 17.5%; by 1998/99 it was from 4.2% to 9.1%. But the range of activity rates had risen: in 1993/94 it was from 57.1% to 64.2% but by 1998/99 it was from 56.7% to 65.9%. Whereas all area types have seen a fall in unemployment, increases in economic activity have been found in Inner and Outer London, Midland and Southern counties, Wales and other cities, and falls in Northern counties, core cities, Scotland excluding Glasgow and "rest of" conurbations.

The pattern of change can be summarised as follows:-

* There has been a degree of convergence in unemployment rates across areas
* But this still leaves very high unemployment in urban areas
* There has been no convergence in economic activity rates across areas, in fact the reverse
* Therefore if a rise in economic inactivity is regarded as an increase in "real" unemployment, there has been relatively little convergence in "real" unemployment.
* The variation in unemployment and inactivity is at least as great on the urban-rural dimension as it is on the regional dimension.

This pattern is now examined further by looking at the changes in employment and population and their relationship with unemployment and economic activity.

Employment Change

Over this five year period 1993/94-1998/99, three quarters of the areas had employment change in the range 0.6%-12.3%, although the total range was from -7.6% to +21.1%, with Inner London standing out as a particularly large area (2.1m 16+ population in 1998/99) with particularly large employment growth (19.7%). There was generally no correlation across areas between employment growth 1993/94-98/99 and the level of unemployment in 1993/94, in other words jobs growth has generally not been occurring in the places where it would have had the most impact on unemployment (Figure 6). However, a group of core cities with high unemployment (Manchester, Liverpool and Birmingham), as well as Inner London, has done relatively well (on this measure which merges full- and part-time jobs), with job growth over 10%. This may help to account for the large convergence in unemployment rates between area types noted earlier, since it was Inner London and the core cities which had the highest unemployment in 1993/94, bearing in mind that the LFS unemployed include substantial numbers of married women who want part-time jobs. By contrast, Glasgow and Coventry (whose figures have been confirmed by inspection of the whole quarterly series), and Merseyside excluding Liverpool, have done particularly poorly, with sizeable falls in the number of people in employment.

Table 1: POPULATION, EMPLOYMENT, UNEMPLOYMENT AND ECONOMIC ACTIVITY BY URBAN/RURAL AREA TYPE, Winter 1993/94 and 1998/99

	Population 16+ (thou.) 1993/94	ILO unemployment rate 1993/94	1998/99	Economic activity rate 16+ 1993/94	1998/99	Change pop. 16+ %	Change employed %	Change unemp. %	Change inactive %	Change unemp.+ inact. %	Change unemp. rate %	Change activity rate %
CORE CITIES	3531	14.1	8.8	57.1	56.7	0.5	6.0	-37.7	1.3	-4.9	-5.3	-0.3
RoCONURBATIONS	5368	11.2	8.0	61.1	61.0	0.1	3.6	-28.7	0.1	-4.2	-3.2	-0.1
INNER LONDON	1996	17.5	9.1	61.5	63.4	5.5	19.7	-43.7	0.7	-9.1	-8.4	1.9
OUTER LONDON	3343	11.5	6.7	64.2	65.9	1.4	9.6	-39.0	-3.3	-9.4	-4.8	1.7
OTHER CITIES	1628	11.9	8.9	58.5	59.4	2.4	7.7	-22.1	0.6	-2.7	-3.0	0.9
N. COUNTIES	4026	8.6	6.1	62.0	61.3	1.7	3.3	-28.8	3.5	-0.5	-2.5	-0.7
MID COUNTIES	4881	7.7	4.8	64.0	65.5	2.2	7.9	-35.0	-2.2	-6.2	-2.9	1.5
S. COUNTIES	13730	8.1	4.2	64.2	65.4	1.7	7.9	-46.2	-1.5	-7.2	-3.9	1.1
WALES	2282	10.3	7.8	56.2	57.6	1.1	6.3	-21.2	-2.2	-4.4	-2.5	1.4
RoSCOTLAND	3430	9.6	6.7	63.6	63.3	2.0	4.7	-29.2	2.8	-1.8	-2.9	-0.3

Source: LFS Quarterly Bulletin, June 1994 and LFS Quarterly Supplement, May 1999

Effects of Employment Change on Unemployment and Economic Activity

Employment change has had a much clearer and stronger effect on activity rates than on unemployment rates (Figures 7 and 8). The change in the number employed is correlated much more closely with the activity rate (0.77), with the change in the number of those either unemployed or inactive (0.64), and with the change in the number inactive (0.55), than with the unemployment rate (0.47) or with the number unemployed (0.30). Also, the regression coefficients show that the estimated effect of a 1% change in employment is twice as great on the activity rate (0.35%) as on the unemployment rate (-0.17%); both coefficients are statistically significant at the 0.01% level and the difference between their unsigned values is comfortably significant at the 5% level. The fact, noted earlier, that standard errors are systematically larger for unemployment than for economic activity will be responsible for part of the difference in degree of correlation of the two types of measure with employment change, but it will not affect the estimated regression coefficients. These coefficients themselves understate the relative strength of the effect on economic activity, because the activity rate has as its denominator the whole 16+ population. This is typically half as large again as the economically active population, which is the denominator for the unemployment rate, so that a given percentage point rise in the activity rate represents the shift of a much larger number of people into activity than the same rise indicates in relation to unemployment. The stronger association of employment change with economic activity than with unemployment is therefore a real effect.

Figure 9 provides further evidence for the equivalence of unemployment and of at least some elements of economic inactivity. It is based on the simple regression equations derived from Figures 7 and 8, showing the relationship respectively between change in employment and change in unemployment rate, and change in employment and change in activity rate. It plots the deviations of the actual from the predicted unemployment and activity rates against each other. This exercise reveals that there is a clear tendency (correlation 0.51, significant at the 0.001% level) for areas with a better than expected unemployment performance to have a worse than expected economic activity performance, and vice versa. In other words, unemployment and economic inactivity are alternatives: more of one means less of the other.

The best single indicator of the labour market impact of employment change is therefore the relationship between employment change and change in non-employment, i.e. the total number unemployed or inactive. It is shown in Figure 10. Just over one fifth (16) of the 73 areas did particularly well, with a fall of 10% or more in their total of unemployed or inactive people. Of these, 11 are county (non-urban) areas in the south or midlands, accounting for almost two-fifths (11 out of 28) of these areas. But they include only 1 out of 8 urban cores (Birmingham), 1 out of 7 "rest of" conurbations (Cleveland), 2 out of 7 other cities (Bristol and Doncaster), 1 out of 7 Welsh areas and no area in the north of England or Scotland other than Cleveland and Doncaster. Inner and Outer London just missed this category, with falls of 9.1% and 9.4% respectively.

Meanwhile the 19 areas doing particularly badly, with increases in their total of unemployed or inactive, include only 2 out of 19 southern counties, 1 out of 9 midland counties, and 1 out of 7 areas in Wales, but 2 out of the 8 urban cores, 2 out of the 7 "rest of conurbations", 3 out of the 7 other cities, 4 out of 7 northern counties and 4 out of 7 "rest of Scotland" areas.

These figures show a strong difference in labour market experience along both the urban-rural and the regional dimension, with urban and northern areas generally doing worse than southern rural areas.

Reasons for the Strong Effect of Employment Change on Economic Activity

Why should employment change have a closer relationship with economic activity than with unemployment? There appear to be four reasons:-

* The stock of inactive people who want work is larger than the stock of ILO unemployed (the 1998 Budget Red Book put the figures at 2.6m and 1.9m respectively), and there are further inactive people not saying they want work who will take it if it comes up. The size of flows into jobs in response to employment change is likely to reflect this.

* Much employment growth has taken place in areas where there are few unemployed people. In these areas, except to the extent that in-migration or in-commuting has been possible, jobs have had to be filled by the previously inactive.

* As noted earlier, "employment" in the LFS includes part-time work and can mean very few hours of work indeed. Some of the growth in employment over this period has involved short hours, e.g. among students. Such "jobs" take people out of the "inactive" category but will not necessarily attract the unemployed.

* People who switch between unemployment and employment appear to be geographically more mobile than those who switch between economic inactivity and employment. The latter include disproportionate numbers of married women and of older workers who have the "option" of incapacity benefit. Flows of the unemployed to areas of employment growth have the effect of counteracting the impact of employment change on unemployment, whereas this effect is likely to be smaller in relation to the inactive.

Migration flows are also at least a partial explanation for the closer correlation of employment change with unemployment and activity rates than with numbers unemployed or inactive. Unemployed people moving to jobs in an area of employment growth swell the denominator used to calculate the unemployment rate in that area, thus lowering it. The reverse occurs in the area they move from. Inactive (e.g. retired) people migrating from one area to another will have more effect on the count of inactive people than on the activity rate, for the same reason.

Population Change in Relation to Economic Activity and Employment Change

Figure 11 shows that there is a modest positive relationship between employment change and population change, indicating that, as assumed, areas of employment growth have been gaining population. The relationship is relatively weak, correlation 0.34, but it is significant at the 0.005 level. It would almost certainly be stronger but for the retirement and residential preference migration mentioned earlier.

It has already been shown that there is a strong link between employment change and economic activity. But

Table 2: POPULATION, EMPLOYMENT, UNEMPLOYMENT AND ECONOMIC ACTIVITY BY URBAN/RURAL AREA TYPE, Winter 1993/94 and 1998/99

	Population 16+ (thou.) 1993/94	ILO unemployment rate 1993/94	1998/99	Economic activity rate 16+ 1993/94	1998/99	Change pop. 16+ %	Change employed %	Change unemp. %	Change inactive %	Change unemp.+ inact. %	Change unemp. rate %	Change activity rate %
NORTH	2410	11.7	9.2	58.7	57.9	1.2	2.6	-21.2	3.3	-0.2	-2.5	-0.8
N. WEST	4948	10.6	6.8	60.4	60.1	0.6	4.4	-35.5	1.4	-3.7	-3.8	-0.3
Y. & H.	3906	9.8	7.1	61.8	61.8	1.4	4.6	-27.0	1.3	-2.6	-2.7	0.0
E.MIDS	3218	7.9	5.1	62.5	64.4	2.2	8.5	-32.7	-2.8	-6.3	-2.8	1.9
W.MIDS	4112	10.7	6.7	62.8	63.2	0.9	6.2	-37.1	-0.1	-5.8	-4.0	0.4
E.ANGLIA	1696	8.7	4.3	64.7	63.9	1.9	5.3	-50.0	4.5	-3.0	-4.4	-0.8
G LONDON	5339	13.7	7.6	63.2	64.9	3.1	13.3	-41.3	-1.7	-9.2	-6.1	1.7
RoSE	8540	8.0	4.0	65.2	66.3	1.5	7.7	-48.1	-1.6	-7.7	-4.0	1.1
S. WEST	3803	8.3	4.8	61.4	64.0	2.1	10.5	-39.2	-4.6	-8.7	-3.5	2.6
WALES	2282	10.3	7.8	56.2	57.6	1.1	6.3	-21.2	-2.2	-4.4	-2.5	1.5
SCOTLAND	3963	10.1	7.2	62.1	61.5	1.6	3.8	-28.1	3.3	-1.2	-2.9	-0.6

Source: LFS Quarterly Bulletin, June 1994 and LFS Quarterly Supplement, May 1999

how much of the observed increase in economic inactivity in certain areas can simply be explained by the migration of inactive people, or by natural population increase, rather than by employment change? Figure 12 indicates that this is probably a partial explanation, the correlation between 16+ population change and change in number of economically inactive people being 0.48. But the correlation between employment change and change in the number of economically inactive people is higher at -0.55, suggesting that this is a more important factor. This is borne out by inspection of the upper outliers in this chart. Areas such as Dyfed, Tayside, Northumberland, Norfolk and Cumbria might well have large increases in inactive persons in relation to their population change because of retirement migration. But this could scarcely be the explanation for Glasgow, Coventry or Merseyside excluding Liverpool.

Conclusions

This analysis contradicts the sanguine view of the British labour market in the latter half of the 1990s currently being taken by official bodies such as the DfEE and Bank of England. The Bank, for instance, in its February 1999 Inflation Report (p.29), argued on the basis of an analysis of regional unemployment differentials that labour market mismatch has reduced. This paper shows that much of economic inactivity has to be considered as being effectively the same as unemployment. This is because across areas the correlation between unemployment and inactivity has become stronger; the relationship between change in employment and change in activity is much stronger than that between change in employment and change in unemployment; and areas with particularly large reductions in unemployment relative to their growth in employment tend to have particularly small increases in economic activity, and vice versa. The fall in working-age male economic activity over these five years (from 85.3% to 84.4%) has to be seen as indicating comparative labour market failure just as much as the fall in ILO unemployment (from 9.9% to 6.2%) is seen as comparative success.

The convergence of ILO unemployment rates across areas is not found for activity rates, so that many areas have seen increases or only small reductions in the combined total of unemployment and inactivity. This is because employment growth is generally not occurring in the places where it would have brought most benefit in terms of unemployment and inactivity. While there appears to have been some adjustment to adverse labour market conditions in particular areas via outmigration, implied by the pattern of population change, people have also been adjusting by becoming inactive. This confirms the analysis of Beatty, Fothergill et al.

There has been a striking diversity of labour market performance across areas over this half decade. Good performance (10% or greater fall in the total of unemployed and inactive) is largely confined to non-urban areas in the south, while poor performance (increase in the total of unemployed and inactive) is found disproportionately in urban areas and in the north of Britain. Some areas, particularly counties in southern England but also certain cities including notably Inner London and Bristol, appear to have done well in terms of employment growth, unemployment and economic activity. Other areas such as Manchester appear to have done well in employment and unemployment but poorly in terms of economic activity. And some areas, particularly in the north, have done very badly, including Glasgow, Coventry and Merseyside excluding Liverpool.

There must however be some question about the significance of the employment growth in some areas where an increase in part-time jobs and student "employment" may have made a disproportionate contribution to it. This could for instance be the case in Inner London and Manchester. Both cities feature strongly in one of the "wrong" quadrants of Figure 9, with an unusually large reduction in unemployment in relation to their employment growth being offset by an unusually small reduction in economic activity. Taking into account the rather similar figures for the rest of Greater Manchester, this fits with the analysis of Peck & Tickell (1997) who showed that falling unemployment in Greater Manchester in 1993-97 was not due to employment growth but to rising inactivity, and also that all net job creation was part-time.

This article has had to make do with a second-best selection of data from that available in the LFS. Its findings about economic activity however are clear-cut and sufficiently disturbing to show that a fuller analysis using the additional data already collected by the LFS ought to be an urgent priority for the official agencies. This would consider only the working-age population and would make separate analyses for men and women, full-time and part-time working, sickness and students. Given the still growing seriousness of the issue of male economic inactivity, it should look in particular at area differences in male unemployment and inactivity in relation to changes in male full-time employment.

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FIGURE 1: LFS Winter 1993/94: ECONOMIC ACTIVITY RATE (all16+) BY ILO UNEMPLOYMENT RATE

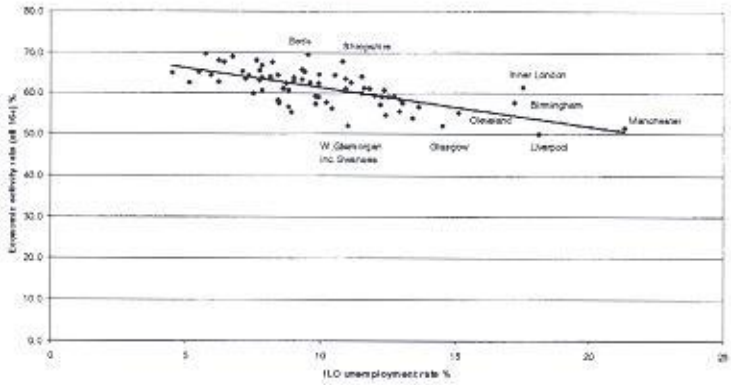

FIGURE 2: LFS Winter 1998/99: ECONOMIC ACTIVITY RATE (all 16+) BY ILO UNEMPLOYMENT RATE

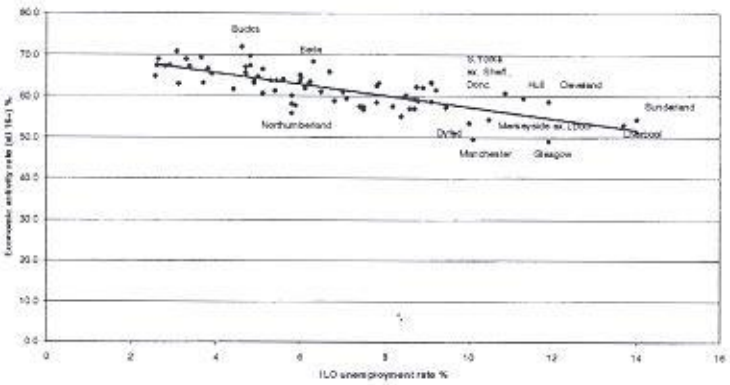

FIGURE 3: CHANGE IN ILO UNEMPLOYMENT RATE 1993/94-1998/99 BY ILO UNEMPLOYMENT RATE 1993/94

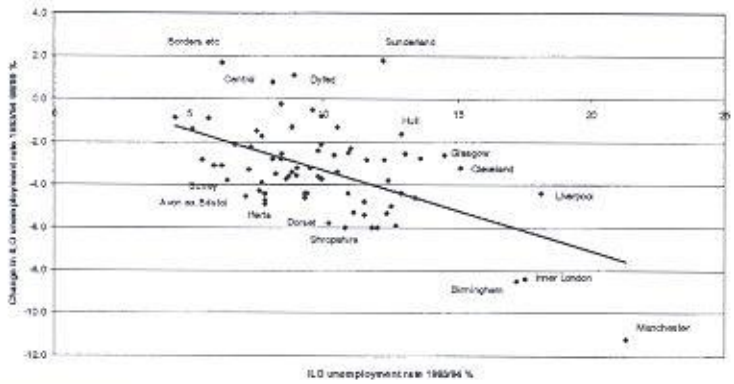

FIGURE 4: CHANGE IN ACTIVITY RATE 1993/94-1998/99 BY ACTIVITY RATE 1993/94

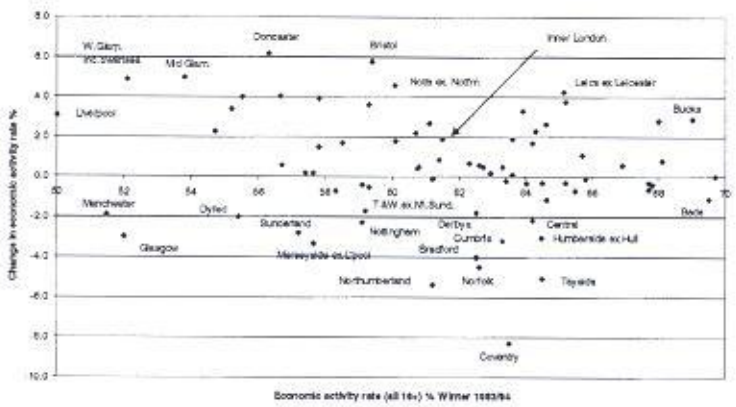

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FIGURE 5: CHANGE IN NO. UNEMPLOYED OR INACTIVE (%) 1993/94-1998/99
BY ILO UNEMPLOYMENT RATE 1993/94

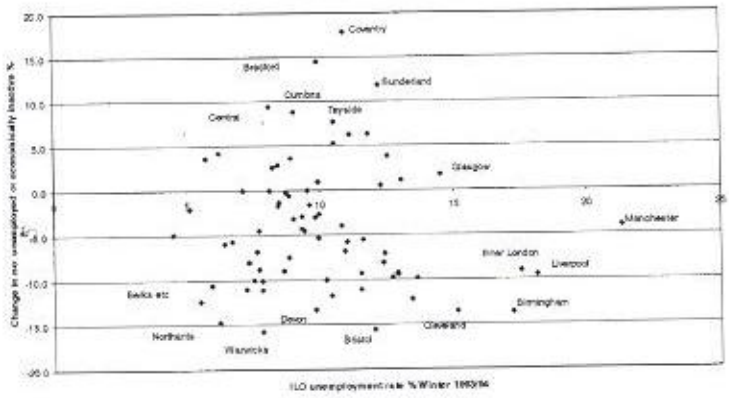


FIGURE 6: CHANGE IN LFS EMPLOYED 1993/94-98/99 BY ILO UNEMPLOYMENT RATE 1993/94

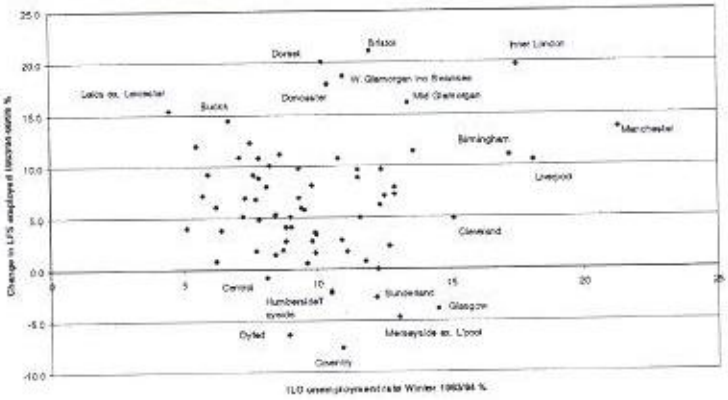


FIGURE 7: CHANGE IN ILO UNEMPLOYMENT RATE BY CHANGE IN NO. EMPLOYED
LFS Winter 1993/94-Winter 1998/99

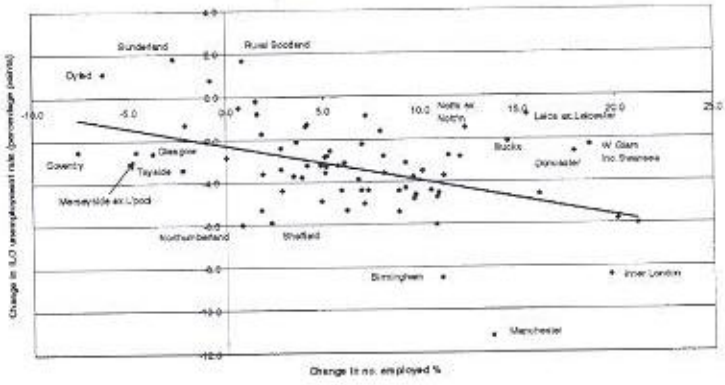


FIGURE 8: CHANGE IN ACTIVITY RATE 16+ BY CHANGE IN NO. EMPLOYED,
LFS Winter 1993/94-Winter 1998/99

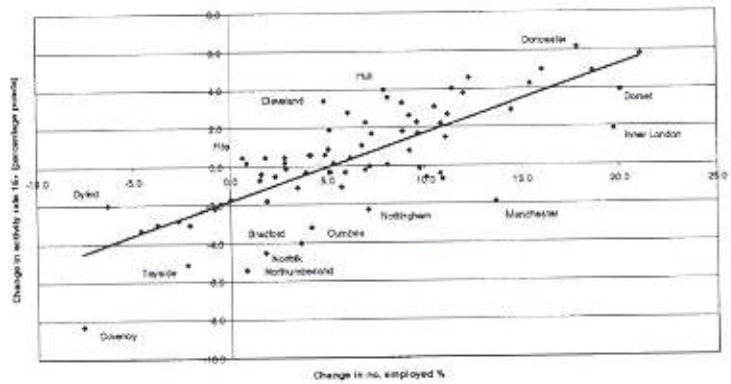


FIGURE 9: DEVIATION OF ACTUAL FROM PREDICTED CHANGE IN ACTIVITY RATE
BY DEVIATION OF ACTUAL FROM PREDICTED CHANGE IN ILO UNEMPLOYMENT RATE
(prediction from change in no. employed) Winter 1993/94-Winter 1998/99

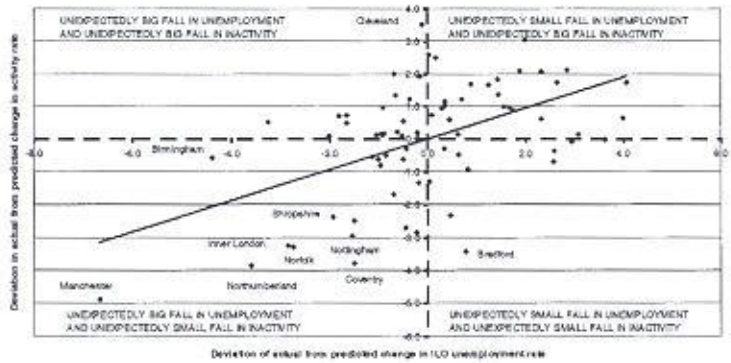


FIGURE 10: CHANGE IN NO. UNEMPLOYED OR INACTIVE BY CHANGE IN NO. EMPLOYED,
LFS Winter 1993/94-Winter 1998/99

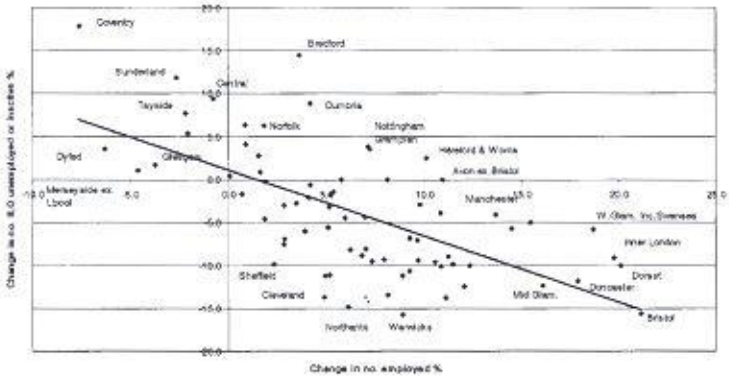


FIGURE 11: CHANGE IN 16+ POPULATION BY CHANGE IN NO. EMPLOYED, LFS Winter 1993/94-
Winter 1998/99

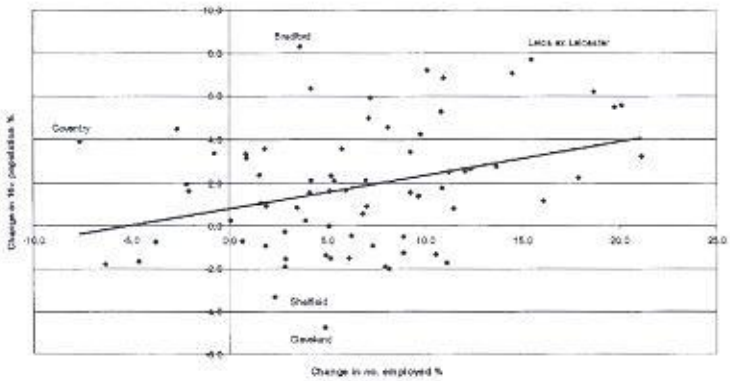
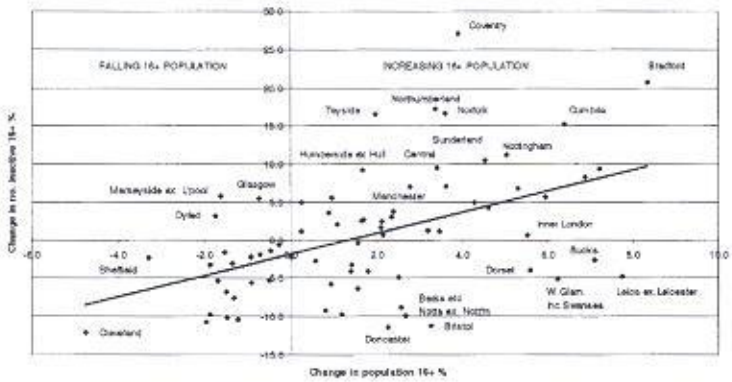


FIGURE 12: CHANGE IN NO. INACTIVE 16+ BY CHANGE IN POPULATION 16+,
LFS Winter 1993/94-Winter 1998/99



Appendix 1: AREAS USED FOR THE LFS ANALYSIS, Winter 1993/94 to Winter 1998/99s

Source: LFS Quarterly Bulletin/Supplement, June 1994 and May 1999, Summary for counties and larger local authority districts

	Population 16+ (thou.) 1993/94	ILO unemp rate 1993/94	Econ act rate 16+ 1993/94	Change in employed %	Change in unempl. rate	Change in activity rate
Glasgow	533	14.5	52.0	-3.8	-2.6	-3.0
Newcastle	216	12.4	54.7	9.6	-3.8	2.3
Liverpool	371	18.1	50.0	10.5	-4.4	3.1
Manchester	326	21.3	51.5	13.6	-11.2	-1.9
Sheffield	423	12.7	59.3	2.3	-5.9	-0.5
Bradford	348	9.9	62.5	3.6	-2.1	-4.0
Leeds	558	8.4	64.5	5.2	-2.8	-0.3
Birmingham	756	17.2	57.8	11.0	-8.5	1.5
Cleveland	441	15.1	55.2	4.8	-3.2	3.4
Tyne & Wear	441	12.3	59.2	0.0	-2.8	-1.7
Gtr Manchester	1651	9.0	64.0	5.1	-3.6	-0.3
Merseyside	732	13.0	57.7	-4.6	-2.5	-3.3
S.Yorks	376	13.6	56.6	11.4	-2.7	4.0
W.Yorks	701	9.9	64.6	3.4	-3.7	-1.1
W.Midlands	1026	11.6	61.4	5.0	-2.8	0.9
Inner London	1996	17.5	61.5	19.7	-8.4	1.9
Outer London	3343	11.5	64.2	9.6	-4.8	1.7
Sunderland	221	12.2	57.2	-2.7	1.8	-2.8
Hull	210	12.9	55.5	7.9	-1.6	4.0
Doncaster	223	10.4	56.3	17.9	-2.6	6.2
Leicester	216	12.9	58.5	7.3	-4.4	1.7
Nottingham	219	12.5	59.1	7.1	-5.0	-2.3
Coventry	231	10.9	63.5	-7.6	-2.5	-8.3
Bristol	308	12.0	59.4	21.1	-6.0	5.8
Durham	476	9.9	59.1	1.6	-0.8	-0.4
Northumberland	239	11.8	61.2	0.8	-6.0	-5.4
Cumbria	376	9.0	63.3	4.1	-3.2	-3.2
Cheshire	764	8.1	63.6	8.1	-2.8	0.1
Lancashire	1104	8.8	60.8	2.8	-3.4	0.5
Humberside ex.Hull	487	10.5	64.5	-2.1	-1.3	-3.1
N.Yorkshire	580	5.1	62.6	4.1	-1.4	0.6
Derbyshire	756	8.7	62.5	1.9	-3.6	-1.8
Leics ex.Leicester	479	4.5	65.1	15.4	-0.9	4.2
Lincolnshire	480	8.6	61.1	11.2	-3.7	2.7
Northants	466	6.2	68.0	6.1	-3.1	2.8
Notts	601	7.5	60.1	12.3	-1.5	4.6
Hereford & Worcs	527	8.2	67.7	10.1	-3.5	-0.6
Shropshire	321	10.8	67.8	10.8	-6.0	-0.4
Staffs	849	7.7	63.3	1.8	-1.7	0.5
Warwicks	402	7.8	63.9	8.9	-4.4	3.3
Cambs	552	7.6	68.1	9.2	-4.3	0.8
Norfolk	614	11.1	62.6	1.8	-5.3	-4.5
Suffolk	529	7.2	63.6	5.1	-3.3	1.9
Beds	417	9.5	69.5	5.7	-3.2	-1.1
Berks/Oxon/IOW	1178	5.5	65.2	12.0	-2.8	3.8
Bucks	495	6.7	69.0	14.5	-2.1	2.9
E.Sussex	574	11.5	60.1	8.9	-5.4	1.8
Essex	1234	9.3	63.4	6.9	-4.4	-0.2
Hampshire	1264	7.7	65.7	6.8	-3.9	1.1
Herts	796	7.8	66.9	4.9	-4.9	0.6
Kent	1200	9.4	65.2	5.9	-4.4	-0.3
Surrey	821	6.4	67.7	3.8	-3.8	-0.3
W.Sussex	562	7.8	60.7	10.8	-4.7	2.2
Avon ex.Bristol	452	7.1	65.5	10.9	-4.5	-0.7
Cornwall	380	8.4	58.3	1.5	-0.2	-0.7
Devon	852	9.8	59.3	8.1	-3.6	3.6
Dorset	538	10.2	57.8	20.1	-5.8	3.9
Gloucs	433	7.3	64.3	7.0	-2.2	2.3
Somerset & Wilts	839	5.9	64.6	9.2	-3.1	2.7
Clwyd	328	8.8	56.7	4.1	-1.3	0.6
Dyfed	281	8.9	55.4	-6.3	1.1	-2.0
Gwent	346	9.8	57.4	2.8	-2.4	0.2
Gwynedd & Powys	288	8.4	57.6	5.3	-2.6	0.2
Mid Glamorgan	427	13.4	53.8	16.1	-4.6	5.0
S.Glamorgan	322	10.9	61.2	2.8	-4.4	-0.1
W.Glamorgan	289	11.0	52.1	18.7	-2.3	4.9
Rural Scotland	410	6.2	62.9	0.8	1.7	0.2
Central	207	8.1	64.2	-0.8	0.8	-2.2
Fife	274	9.6	62.7	0.6	-0.5	0.5
Grampian	404	5.7	69.7	7.2	-0.9	0.0
Lothian	586	9.3	65.8	9.7	-4.6	-0.1
Strathclyde	1241	12.3	60.8	6.2	-5.3	0.5
Tayside	308	10.5	64.5	-2.2	-3.4	-5.1
GREAT BRITAIN	**44216**	**9.9**	**62.3**	**7.1**	**-3.7**	**0.7**

Appendix 2a: LABOUR FORCE SURVEY INACTIVITY URBAN-RURAL WINTER 1994/95-98/99

BY LA TYPE Gwynedd & Powys corrected 4 Aug 1999

Source: LFS Q.Bulletin/Supplement. Note change from standard to GO Regions.

	Total empl		ILO unemp		Total econ active		Econ inactive		All aged 16+		Econ act rate 16+		ILO unemp rate	
	93/94	98/99	93/94	98/99	93/94	98/99	93/94	98/99	93/94	98/99	93/94	98/99	93/94	98/99
Glasgow	237	228	40	31	278	259	256	270	533	529	52	49	14.5	11.9
Newcastle	104	114	15	11	118	125	98	94	216	219	54.7	57	12.4	8.6
Liverpool	152	168	34	27	185	194	186	172	371	366	50	53.1	18.1	13.7
Manchester	132	150	36	17	168	167	158	169	326	335	51.5	49.6	21.3	10.1
Sheffield	219	224	32	16	251	240	172	168	423	409	59.3	58.8	12.7	6.8
Bradford	196	203	22	17	218	221	130	157	348	377	62.5	58.5	9.9	7.8
Leeds	330	347	30	20	360	367	198	204	558	571	64.5	64.2	8.4	5.6
Birmingham	362	402	75	38	437	441	319	302	756	743	57.8	59.3	17.2	8.7
Cleveland	207	217	37	29	243	246	198	174	441	420	55.2	58.6	15.1	11.9
Tyne & Wear	229	229	32	24	261	254	179	188	441	442	59.2	57.5	12.3	9.5
Gtr Manchester	962	1011	95	58	1057	1069	593	608	1651	1678	64.0	63.7	9.0	5.4
Merseyside	366	349	55	41	422	391	311	329	732	720	57.7	54.3	13.0	10.5
S.Yorks	184	205	29	25	213	230	164	149	376	379	56.7	60.7	13.6	10.9
W.Yorks	408	422	45	28	453	449	248	257	701	707	64.6	63.5	9.9	6.2
W.MidCon	557	585	73	56	630	639	395	386	1026	1026	61.4	62.3	11.6	8.8
INN LONDON	1013	1213	215	121	1229	1334	767	772	1996	2106	61.5	63.4	17.5	9.1
OUT LONDON	1900	2083	246	150	2146	2233	1197	1158	3343	3390	64.2	65.9	11.5	6.7
Sunderland	111	108	15	18	127	126	95	105	221	231	57.2	54.4	12.2	14
Hull	101	109	15	14	116	123	93	84	210	206	55.5	59.5	12.9	11.3
Doncaster	112	132	13	11	125	143	97	86	223	228	56.3	62.5	10.4	7.8
Leicester	110	118	16	11	126	128	90	85	216	214	58.5	60.2	12.9	8.5
Nottingham	113	121	16	10	129	131	89	99	219	230	59.1	56.8	12.5	7.5
Coventry	131	121	16	11	147	132	85	108	231	240	63.5	55.2	10.9	8.4
Bristol	161	195	22	13	183	207	125	111	308	318	59.4	65.2	12	6
Durham	253	257	28	26	281	283	195	199	476	481	59.1	58.7	9.9	9.1
Northumberland	129	130	17	8	146	138	93	109	239	247	61.2	55.8	11.8	5.8
Cumbria	217	226	21	14	238	240	138	159	376	400	63.3	60.1	9	5.8
Cheshire	446	482	39	27	485	509	278	290	764	799	63.6	63.7	8.1	5.3
Lancashire	612	629	59	36	671	664	433	419	1104	1083	60.8	61.3	8.8	5.4
Humberside ex.Hull	282	276	33	28	314	304	174	190	487	495	64.5	61.4	10.5	9.2
N.Yorkshire	345	359	18	14	363	372	217	216	580	589	62.6	63.2	5.1	3.7
Derbyshire	431	439	41	24	473	463	284	300	756	763	62.5	60.7	8.7	5.1
Leics ex.Leicester	298	344	14	13	312	358	167	159	479	516	65.1	69.4	4.5	3.6
Lincolnshire	268	298	25	15	293	313	187	178	480	492	61.1	63.8	8.6	4.9
Northants	297	315	20	10	317	325	149	134	466	459	68	70.8	6.2	3.1
Notts	334	375	27	24	361	399	242	218	601	617	60.1	64.7	7.5	6.0
Hereford & Worcs	328	361	29	18	357	379	170	186	527	565	67.7	67.1	8.2	4.7
Shropshire	195	216	23	11	218	227	103	110	321	338	67.8	67.4	10.8	4.8
Staffs	496	505	41	32	537	537	311	304	849	841	63.3	63.8	7.7	6
Warwicks	237	258	20	9	257	267	145	130	402	397	63.9	67.2	7.8	3.4
Cambs	348	380	29	13	376	393	176	178	552	571	68.1	68.9	7.6	3.3
Norfolk	342	348	43	22	385	369	229	267	614	636	62.6	58.1	11.1	5.8
Suffolk	312	328	24	13	336	342	193	180	529	521	63.6	65.5	7.2	3.9
Beds	262	277	28	19	290	295	127	136	417	432	69.5	68.4	9.5	6.3
Berks/Oxon/ IoW	724	811	42	22	768	833	410	374	1178	1208	65.2	69.0	5.5	2.6
Bucks	318	364	23	17	341	381	153	149	495	530	69	71.9	6.7	4.6
E.Sussex	305	332	40	22	345	354	229	217	574	571	60.1	61.9	11.5	6.1
Essex	709	758	73	39	782	797	452	463	1234	1260	63.4	63.2	9.3	4.9
Hampshire	766	818	64	32	830	850	434	422	1264	1271	65.7	66.8	7.7	3.8
Herts	491	515	42	16	532	530	263	255	796	785	66.9	67.5	7.8	2.9
Kent	710	752	73	40	783	792	417	428	1200	1220	65.2	64.9	9.4	5
Surrey	520	540	35	14	556	555	265	268	821	823	67.7	67.4	6.4	2.6
W.Sussex	314	348	27	11	341	359	221	212	562	572	60.7	62.9	7.8	3.1
Avon ex.Bristol	275	305	21	8	296	313	157	170	452	483	65.5	64.8	7.1	2.6
Cornwall	203	206	19	18	222	224	159	165	380	389	58.3	57.6	8.4	8.2
Devon	456	493	49	33	505	525	347	310	852	835	59.3	62.9	9.8	6.2
Dorset	279	335	32	15	311	351	227	218	538	568	57.8	61.7	10.2	4.4
Gloucs	258	276	20	15	278	291	155	146	433	437	64.3	66.6	7.3	5.1
Somerset & Wilts	510	557	32	16	542	573	298	279	839	852	64.6	67.3	5.9	2.8
Clwyd	170	177	16	14	186	192	142	143	328	335	56.7	57.3	8.8	7.5
Dyfed	142	133	14	15	156	147	125	129	281	276	55.4	53.4	8.9	10
Gwent	179	184	19	15	198	199	147	146	346	345	57.4	57.6	9.8	7.4
Gwynedd & Powys	151	159	14	10	166	170	123	125	288	294	57.6	57.8	8.4	5.9
Mid Glamorgan	199	231	31	22	229	254	197	178	427	432	53.8	58.8	13.4	8.8
S.Glamorgan	176	181	21	13	197	193	125	123	322	317	61.2	61.1	10.9	6.5
W.Glamorgan	134	159	17	15	151	175	139	132	289	307	52.1	57	11	8.7
Bords, etc	244	246	16	21	258	267	153	155	410	423	62.9	63.1	6.2	7.9
Central	122	121	11	12	133	133	74	81	207	214	64.2	62	8.1	8.9
Fife	155	156	16	16	172	172	102	100	274	272	62.7	63.2	9.6	9.1
Grampian	265	284	16	14	281	298	123	130	404	428	69.7	69.7	5.7	4.8
Lothian	349	383	36	19	385	402	200	210	586	611	65.8	65.7	9.3	4.7
Strathclyde	662	703	93	53	754	756	486	479	1241	1235	60.8	61.2	12.3	7.0
Tayside	178	174	21	13	199	187	109	127	308	314	64.5	59.4	10.5	7.1
GREAT BRITAIN	**24793**	**26562**	**2737**	**1743**	**27530**	**28305**	**16686**	**16633**	**44216**	**44938**	**62.3**	**63**	**9.9**	**6.2**

Appendix 2b: LABOUR FORCE SURVEY INACTIVITY URBAN-RURAL WINTER 1994/95-98/99

		PREDICTION FROM EMPLOYMENT CHANGE							
	Chg ILO unempl.	Chg activity rate (diff.)	Activity rate 93/94	Activity rate 98/99 rate (diff.)	Chg empl %	Predicted chg unemp rate	Act unemp chg minus predicted	Predicted chg activity rate	Act chg act rate minus predicted
Glasgow	-2.6	-3.0	52.0	49.0	-3.8	-1.6	-1.0	-3.2	0.2
Newcastle	-3.8	2.3	54.7	57.0	9.6	-3.9	0.1	1.6	0.7
Liverpool	-4.4	3.1	50.0	53.1	10.5	-4.0	-0.4	1.9	1.2
Manchester	-11.2	-1.9	51.5	49.6	13.6	-4.5	-6.7	2.9	-4.9
Sheffield	-5.9	-0.5	59.3	58.8	2.3	-2.6	-3.3	-1.0	0.5
Bradford	-2.1	-4.0	62.5	58.5	3.6	-2.9	0.8	-0.6	-3.4
Leeds	-2.8	-0.3	64.5	64.2	5.2	-3.1	0.3	-0.01	-0.3
Birmingham	-8.5	1.5	57.8	59.3	11.0	-4.1	-4.4	2.1	-0.6
Cleveland	-3.2	3.4	55.2	58.6	4.8	-3.1	-0.1	-0.1	3.5
Tyne & Wear	-2.8	-1.7	59.2	57.5	0.0	-2.3	-0.5	-1.8	0.1
Gtr Manchester	-3.6	-0.3	64.0	63.7	5.1	-3.1	-0.4	-0.01	-0.3
Merseyside	-2.5	-3.3	57.7	54.3	-4.6	-1.5	-1.1	-3.5	0.1
S.Yorks	-2.7	4.0	56.6	60.7	11.4	-4.2	1.4	2.2	1.8
W.Yorks	-3.7	-1.1	64.6	63.5	3.4	-2.8	-0.9	-0.6	-0.5
W.MidCon	-2.8	0.9	61.4	62.3	5.0	-3.1	0.3	-0.1	0.9
INN LONDON	-8.4	1.9	61.5	63.4	19.7	-5.5	-2.9	5.1	-3.2
OUT LONDON	-4.8	1.7	64.2	65.9	9.6	-3.9	-0.9	1.6	0.1
Sunderland	1.8	-2.8	57.2	54.4	-2.7	-1.8	3.6	-2.8	-0.03
Hull	-1.6	4.0	55.5	59.5	7.9	-3.6	2.0	1.0	3.0
Doncaster	-2.6	6.2	56.3	62.5	17.9	-5.2	2.6	4.5	1.7
Leicester	-4.4	1.7	58.5	60.2	7.3	-3.5	-0.9	0.7	1.0
Nottingham	-5.0	-2.3	59.1	56.8	7.1	-3.4	-1.6	0.7	-3.0
Coventry	-2.5	-8.3	63.5	55.2	-7.6	-1.0	-1.5	-4.5	-3.8
Bristol	-6.0	5.8	59.4	65.2	21.1	-5.8	-0.2	5.6	0.2
Durham	-0.8	-0.4	59.1	58.7	1.6	-2.5	1.7	-1.3	0.9
Northumberland	-6.0	-5.4	61.2	55.8	0.8	-2.4	-3.6	-1.5	-3.9
Cumbria	-3.2	-3.2	63.3	60.1	4.1	-3.0	-0.2	-0.4	-2.8
Cheshire	-2.8	0.1	63.6	63.7	8.1	-3.6	0.8	1.0	-0.9
Lancashire	-3.4	0.5	60.8	61.3	2.8	-2.7	-0.7	-0.8	1.3
Humberside	-1.3	-3.1	64.5	61.4	-2.1	-1.9	0.6	-2.6	-0.5
N.Yorkshire	-1.4	0.6	62.6	63.2	4.1	-2.9	1.5	-0.4	1.0
Derbyshire	-3.6	-1.8	62.5	60.7	1.9	-2.6	-1.0	-1.2	-0.6
Leics	-0.9	4.2	65.1	69.4	15.4	-4.8	4.0	3.6	0.6
Lincolnshire	-3.7	2.7	61.1	63.8	11.2	-4.1	0.4	2.1	0.6
Northants	-3.1	2.8	68.0	70.8	6.1	-3.3	0.2	0.3	2.5
Notts	-1.5	4.6	60.1	64.7	12.3	-4.3	2.8	2.5	2.1
Hereford & Worcs	-3.5	-0.6	67.7	67.1	10.1	-3.9	0.4	1.7	-2.3
Shropshire	-6.0	-0.4	67.8	67.4	10.8	-4.1	-1.9	1.9	-2.4
Staffs	-1.7	0.5	63.3	63.8	1.8	-2.6	0.9	-1.2	1.7
Warwicks	-4.4	3.3	63.9	67.2	8.9	-3.7	-0.7	1.3	2.0
Cambs	-4.3	0.8	68.1	68.9	9.2	-3.8	-0.5	1.4	-0.6
Norfolk	-5.3	-4.5	62.6	58.1	1.8	-2.6	-2.7	-1.2	-3.3
Suffolk	-3.3	1.9	63.6	65.5	5.1	-3.1	-0.2	-0.01	1.9
Beds	-3.2	-1.1	69.5	68.4	5.7	-3.2	0.02	0.2	-1.3
Berks/Oxon/IoW	-2.8	3.8	65.2	69.0	12.0	-4.3	1.4	2.4	1.4
Bucks	-2.1	2.9	69.0	71.9	14.5	-4.7	2.6	3.3	-0.4
E.Sussex	-5.4	1.8	60.1	61.9	8.9	-3.7	-1.7	1.3	0.5
Essex	-4.4	-0.2	63.4	63.2	6.9	-3.4	-1.0	0.6	-0.8
Hampshire	-3.9	1.1	65.7	66.8	6.8	-3.4	-0.5	0.6	0.5
Herts	-4.9	0.6	66.9	67.5	4.9	-3.1	-1.8	-0.1	0.7
Kent	-4.4	-0.3	65.2	64.9	5.9	-3.3	-1.1	0.3	-0.6
Surrey	-3.8	-0.3	67.7	67.4	3.8	-3.0	-0.9	-0.5	0.2
W.Sussex	-4.7	2.2	60.7	62.9	10.8	-4.1	-0.6	2.0	0.2
Avon ex.Bristol	-4.5	-0.7	65.5	64.8	10.9	-4.1	-0.5	2.0	-2.7
Cornwall	-0.2	-0.7	58.3	57.6	1.5	-2.5	2.3	-1.3	0.6
Devon	-3.6	3.6	59.3	62.9	8.1	-3.6	0.01	1.0	2.6
Dorset	-5.8	3.9	57.8	61.7	20.1	-5.6	-0.2	5.3	-1.3
Gloucs	-2.2	2.3	64.3	66.6	7.0	-3.4	1.2	0.6	1.7
Somerset & Wilts	-3.1	2.7	64.6	67.3	9.2	-3.8	0.7	1.4	1.2
Clwyd	-1.3	0.6	56.7	57.3	4.1	-3.0	1.7	-0.4	1.0
Dyfed	1.1	-2.0	55.4	53.4	-6.3	-1.2	2.3	-4.1	2.1
Gwent	-2.4	0.2	57.4	57.6	2.8	-2.7	0.3	-0.8	1.0
Gwynedd	-2.6	0.2	57.6	57.8	5.3	-3.1	0.6	0.04	0.1
Mid Glamorgan	-4.6	5.0	53.8	58.8	16.1	-4.9	0.3	3.8	1.2
S.Glamorgan	-4.4	-0.1	61.2	61.1	2.8	-2.7	-1.7	-0.8	0.7
W.Glamorgan	-2.3	4.9	52.1	57.0	18.7	-5.4	3.1	4.8	0.1
Bords etc	1.7	0.2	62.9	63.1	0.8	-2.4	4.1	-1.5	1.7
Central	0.8	-2.2	64.2	62.0	-0.8	-2.1	2.9	-2.1	-0.1
Fife	-0.5	0.5	62.7	63.2	0.6	-2.4	1.9	-1.6	2.1
Grampian	-0.9	0.0	69.7	69.7	7.2	-3.5	2.6	0.7	-0.7
Lothian	-4.6	-0.1	65.8	65.7	9.7	-3.9	-0.7	1.6	-1.7
Strathclyde	-5.3	0.5	60.8	61.2	6.2	-3.3	-2.0	0.4	0.1
Tayside	-3.4	-5.1	64.5	59.4	-2.2	-1.9	-1.5	-2.6	-2.5
GREAT BRITAIN	**-3.7**	**0.7**	**62.3**	**63.0**	**7.1**	**-3.5**	**-0.2**	**0.7**	

Appendix 2c: LABOUR FORCE SURVEY INACTIVITY URBAN-RURAL

WINTER 1994/95-98/99 Percentage Population Change

	16+
Glasgow	-0.8
Newcastle-upon-Tyne	1.4
Liverpool	-1.3
Manchester	2.8
Sheffield	-3.3
Bradford	8.3
Leeds	2.3
Birmingham	-1.7
Cleveland	-4.8
T&W ex.Newcl,Sundld	0.2
Gtr Manchester ex.Man	1.6
Merseyside ex.Liverpool	-1.6
S.Yorks ex.Sheff, Donc	0.8
W.Yorks ex.Brad,Leeds	0.9
W.MidCon ex.Bham,Cov	0.0
Inner London	5.5
Outer London	1.4
Sunderland	4.5
Hull	-1.9
Doncaster	2.2
Leicester	-0.9
Nottingham	5.0
Coventry	3.9
Bristol	3.2
Durham	1.1
Northumberland	3.3
Cumbria	6.4
Cheshire	4.6
Lancashire	-1.9
Humberside ex.Hull	1.6
N.Yorkshire	1.6
Derbyshire	0.9
Leics ex.Leicester	7.7
Lincolnshire	2.5
Northants	-1.5
Notts ex.Nottingham	2.7
Hereford & Worcester	7.2
Shropshire	5.3
Staffs	-0.9
Warwicks	-1.2
Cambs	3.4
Norfolk	3.6
Suffolk	-1.5
Beds	3.6
Berks, Oxfords, IoW	2.5
Bucks	7.1
E.Sussex	-0.5
Essex	2.1
Hampshire	0.6
Herts	-1.4
Kent	1.7
Surrey	0.2
W.Sussex	1.8
Avon ex.Bristol	6.9
Cornwall	2.4
Devon	-2.0
Dorset	5.6
Gloucs	0.9
Somerset & Wilts	1.5
Clwyd	2.1
Dyfed	-1.8
Gwent	-0.3
Gwynedd	2.1
Mid Glamorgan	1.2
S.Glamorgan	-1.6
W.Glamorgan	6.2
Bords,D&F,Hld,O&S,WI	3.2
Central	3.4
Fife	-0.7
Grampian	5.9
Lothian	4.3
Strathclyde ex.Glasgow	-0.5
Tayside	1.9
GREAT BRITAIN	**1.6**

Establishing the potential for using routine data on Incapacity Benefit to assess the local impact of policy initiatives

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Running Title

Utility of routine IB data for local evaluation

ABSTRACT

Background

Incapacity Benefit (IB) is the key contributory benefit for people who are incapable of work because of illness or disability.

Methods

The aims were to establish the utility of routinely collected data for local evaluation and to provide a descriptive epidemiology of the IB population in Glasgow and Scotland for the period 2000 to 2005 using data supplied by the Department of Work and Pensions.

Results

Glasgow's IB population is large in absolute and relative terms but is now falling, mainly due to a decrease in on flow. Claimants tend to be older, have a poor work history and suffer from mental health problems. The rate of decline has been greater in Glasgow than Scotland, although the rate of on flow is still higher.

Conclusions

DWP data can be used locally to provide important insights into the dynamics of the IB population. However, to be truly useful, more work needs to be undertaken to combine the DWP data with other information.

Keywords

Incapacity Benefit, Chronic Ill Health and Deprivation

Word Count

3107

Introduction

In recent years the vulnerable population being paid Incapacity Benefit (IB) has become a focus for policy makers interested in both employment and health.[1,2] After more than a decade of steady improvement in labour market conditions large numbers still remain on IB. New initiatives have proliferated[1,3] but, if we are to truly evaluate the impact of policy, we need data that can capture changes in the labour market, IB claimants, policy interventions and aspects of health over time. This paper describes the first steps in what will be a concerted effort to create a dynamic model of the IB population for the city in the United Kingdom (UK) with the largest IB problem – Glasgow.

Incapacity Benefit is the key contributory benefit in the UK for people who are incapable of work because of illness or disability. The number of people claiming sickness-related benefits in the UK more than trebled between the late 1970s and the mid-1990s as employment in many traditional industries collapsed. It has since stabilised at around 2.7 million.[1] The proportion of the working age population (WAP) claiming IB varies greatly between different parts of the country, reflecting the state of the local labour market and the area's economic history. It is particularly high in former industrial areas, such as Glasgow, Liverpool, Newcastle and South Wales although it is now beginning to decline even in these areas. Many claimants moved onto IB with no expectation of getting back to work, although about a third now say they want to work.[4] Some observers have argued that the large IB population in Britain partly reflects disguised unemployment.[5] In practice, many people on IB never get back to work. Indeed, after two years on IB, a person is more likely to die or retire than find a new job.[2]

In 2006 the UK Government set an ambitious target of getting a million people off IB within the next 10 years.[1] It has introduced 'city strategies' to target areas with the highest levels of IB. Health strategists are aware that this is a vulnerable population with many complex health needs.[6] The relationship between health and employment in this population is interactive and dynamic. Therefore, if the outcome of these polices is to be assessed, a variety of input, process and outcome data will have to be

collected and analysed in ‘real time’ so that policies and programmes can be rapidly adjusted.

Methods

This study was established under the auspices of the Glasgow Centre for Population Health, which is a formal collaboration between Glasgow City Council, NHS Greater Glasgow & Clyde and Glasgow University – all bodies with an interest in the IB population. Glasgow is an IB 'hot spot' and has the largest single population of IB claimants in the UK.[7] The city is about to launch its 'city strategy' to improve employment in this group but has already an impressive list of initiatives in this area.[8,9]

This study was established to create a framework for data collection that will evaluate the outcome of this policy over the next five to ten years. Ideally, a 'dynamic model' of the IB population will be created. However, in this first stage of this work, three main questions were addressed:

1. What can we learn about the utility of routinely collected data for the ongoing analysis of policy?
2. What can we learn about the dynamics of the IB population in Glasgow?
3. Is Glasgow a special case – how does the IB population in Glasgow compare to Scotland as a whole?

To achieve these aims, a descriptive epidemiology of IB claimants (demonstrating variability by person, place and time) was created. The study team received comprehensive data (100% sample of IB claimants) for Scotland from the Department for Work and Pensions (DWP) Information Directorate Work and Pensions Longitudinal Study for the period 2000 to 2005. Data are presented for two geographies, Glasgow City and all of Scotland (including Glasgow). Data has been analysed by age, sex, reason on benefit, length of time claiming benefit and benefit type (payment and credit only status – see below).

From these data, three groups were identified; the 'stock IB' population (those claiming IB at any given time), the 'on flow' (those starting to claim IB) and the 'off flow' (those whose claim has terminated).

Data for stock IB claimants were provided quarterly from June 1999 until February 2006. Where yearly data are shown, they have been calculated by taking a mean of the data from four quarters. For example, yearly data for 2005 were calculated by taking a mean of the data from the four quarters commencing December 2004 and ending in November 2005. To illustrate the change over the five years of analysis, a breakdown by age, reason for those claiming IB and length of time on IB is shown for the first and last quarter, i.e. June '99 – Aug '99 and Dec '05 – Feb '06 but this was only chosen as the approach once it had been established that changes had been gradual and constant over the period of analysis. The on flows and off flows to IB have been provided quarterly from September 1999 to November 2005. The on and off flow data have been presented as yearly data. For example, data for the year 2005 are the sum of the four quarters from December 2004 to the quarter ending November 2005.

IB claimants can be divided into two groups – "Payment" IB claimants and "Credits only" IB claimants. Together these two categories make up what is commonly understood to be a single IB claiming population however there are clear distinctions between the two groups. Definitions are complex and the benefit system as a whole tries to ensure that individuals receive broadly equivalent amounts from the State – but the source may vary. Payment IB claimants must be incapable of work, not entitled to Statutory Sick Pay, and have sufficient National Insurance (NI) contributions to receive IB payment. Payment IB claimants therefore have a good recent work history. Credits only claimants will not have made sufficient NI contributions but fulfil all the other qualifying conditions for IB and so receive financial support from other sources. They are "credited" with pension contributions and gain access to other benefits like Income Support with a disability premium. These claimants have less good recent work histories. In this study the stock data can be broken down into payment and credits only claimants and where differences have been found between the two groups this is highlighted.

Results

Utility of data

The 100% sample of data relating to IB claimants form the DWP proved to be an extremely useful tool as is evidenced by the results set out below. Some limitations were also identified. It was not possible to cross tabulate the data from different categories. For example, over 50% of those claiming IB in Glasgow are doing so because of mental health problems. It was not possible to break down this group of IB claimants by sex, age, length of time on benefit.

The dynamics of stock, on flow and off flow

To illustrate the dynamic nature of the stock, on flow and off flow populations, we have used a bath water analogy (Fig. 1 and 2). The stock IB population is represented by the amount of bath water. The on and off flow populations are represented as the tap water and the outflow respectively.

Two bathwater diagrams are presented to compare Glasgow (Fig. 1) and Scotland (Fig. 2). Glasgow has a large IB claimant population (61,850 in 2005) but, importantly, there has been a sizeable reduction (-9%) in the stock of IB claimants from 2000 to 2005 – the level of the bathwater is falling (Fig. 1). In Scotland there has been a smaller percentage decrease (-4%) in the number of stock claimants (to 323,160 in 2005) (Fig. 2). In both Glasgow and Scotland this decrease in stock IB populations is mainly due to a decrease in the number of on flow claimants with the absolute number of off flow claimants remaining broadly unchanged. Although the relatively unchanged numbers in the off flow gives the impression of no change over time, analysis of the rate of off flow leads to a different conclusion (see below).

The percent of the WAP claiming IB has decreased between 2000 and 2005 across both geographies but there is still a higher proportion of the working age population in Glasgow City claiming IB (16.4% in 2005) than Scotland (10.2% in 2005) (Fig. 3).

Characteristics of the stock population

The percentage of credits only IB claimants (poor work history) in Glasgow is greater than for Scotland as a whole (in 2005, Glasgow 44.9%, Scotland 33.5% of total claimants). In Glasgow, the largest percentage of claimants are between 40 and 60

and the proportion of all IB claimants in this age group has been increasing with time. There have been decreases in the younger age categories. This pattern is mirrored in all of Scotland. One striking statistic from the age data is the percent of 55-59 year olds claiming IB (for Dec '05 – Feb '06, 34.9% in Glasgow compared to only 18.6% in Scotland). There is also a marked difference in age profile between payment (good work history) and credits only (poor work history) claimants. In both Glasgow and Scotland, more than 50% of payments claimants (good work history) are aged over 50 compared to under 30% of credits only. The male:female ratio of IB claimants is constant over time in both Glasgow and Scotland (around 58% males, 42% females). Females are over represented in the poor work history group (credits only claimants) in Glasgow and Scotland. The majority of claimants in Glasgow have been claiming for greater than 2 years with 58.2% claiming for over 5 years in the quarter Dec '05 – Feb '06. There have been decreases in all duration of claim categories except greater than 5 years. Similar trends are observed in Scotland.

Reason for claiming IB – health problems

The main reason for claiming IB is "mental and behavioural disorders". This category increased from 38.9% between June '99 and Aug '99 to 50.4% between Dec '05 and Feb '06 in Glasgow (Table 1). More credits only claimants (poor work history) are receiving IB because of mental & behavioural disorders than payment claimants in Glasgow (For Dec '05 – Feb '06 payment claimants receiving IB because of mental and behavioural disorder was 42.8%, credits only 59.5%). Similar trends are observed in Scotland but the percentage share of those with mental health problems in Glasgow was slightly greater (For Dec '05 – Feb '06 the % of total claimants claiming because of mental and behavioural disorder in Glasgow was 50.4% and 43.2% in Scotland).

The on flow population

The rate of on flow is expressed as a percent of the WAP not on IB. This is the "population at risk" of moving onto IB. The on flow in Glasgow has decreased from 4.8% in 2000 to 3.8% in 2005 (Table 2). More of the on flow in Glasgow is made up of credits only claimants (poor work history) than payment claimants (in 2005, there were 5,310 payment claimants and 6,800 credits only claimants). The rate of on flow in Scotland has also decreased from 3.0% in 2000 to 2.5% in 2005. In contrast, the on flow population in Scotland has a better work history (in 2005, there were 38,350

payment claimants and 32,300 credits only claimants). The rate of on flow in Glasgow has declined at a higher rate than for Scotland (in Glasgow the rate of on flow has decreased by 21% whereas in Scotland the rate of on flow has decreased by 16%) however the rate in Glasgow is still higher than Scotland (3.8% v 2.5% in 2005) (Table 2)

The off flow population

The rate of off flow is expressed as a percent of the total stock population. This is the "population at risk" of moving off IB. There have only been small changes in the absolute numbers of off flow claimants in Glasgow from 2000 to 2005 (an increase of 340 off flow claimants) however the rate of off flow has shown a small increase from 21.4% to 24.0% (Table 3). The actual numbers of individuals in off flow and the total rate of off flow in Scotland remains largely unchanged (24.4% in 2000, 25.3% in 2005) (Table 3).

Since the focus of policy is to increase the off flow, greater attention was paid this part of the analysis. Although the change in absolute numbers of off flow claimants for Glasgow and Scotland remains small the increase in off flow rates has been more significant than appears at first sight. Off flow rates in both 2000 and 2005 are higher for people under 30 years. There has been a potentially encouraging increase in Glasgow for this age group. Whereas in 2000 the off flow rate was 5% lower in Glasgow than in Scotland (at 41.0% compared to 46.5%), by 2005 it was 5% higher (55.1% in Glasgow compared to 50.0% in Scotland). Off flow rates in 2000 and 2005 have increased in both Glasgow and Scotland for claimants in every category of duration of claim except for those claiming over 5 years, for which they have fallen. However, off flow rates have increased in Glasgow *relative* to Scotland in every category of duration of claim, with the result that Glasgow now has higher off flow rates than Scotland in every category of duration of claim longer than 6 months. The increase in off flow rates in Glasgow has been particularly marked for duration of claims 3 - 6 months and 6 months – 1 year.

Discussion

Main findings of this study

The 100% sample of IB claimants provided by the DWP allowed an analysis which is more comprehensive than has previously been created for a regional or city population. As such, DWP data has been established as a necessary, important but not sufficient basis for the type of dynamic model building that is the eventual aim of this work.

Glasgow's IB population is large in absolute and relative terms (61,850 in 2005, 16.4% of the WAP). Encouragingly, there has been a reduction in IB stock claimants from 2000 to 2005, mainly due to a decrease in on flow. Glasgow's IB population can be characterised as being older, having a poor work history and suffering from mental health problems.

Glasgow's IB population is distinctive from the whole of Scotland. It is proportionately larger (16% of the Glasgow WAP was claiming IB in 2005 compared with 10% in Scotland and 8% in the UK). However, the rate of decline has been greater in Glasgow, although the rate of on flow is still higher in Glasgow than Scotland. The proportion of IB claimants with a poor work history in Glasgow is higher. Higher proportions of claimants in Glasgow suffer from mental health problems (in 2005, 50% in Glasgow compared to 43% in Scotland).

What is already known on this topic

Several reports provide general information on IB claimants in the UK.[1,3,10,11] These show important UK trends (e.g. falling total IB claimants, move from musculoskeletal to mental health problems[12]) but provide insufficient detail about any city or region to be truly useful for monitoring the local impact of policy initiatives. One helpful study [7] examined IB claimants in Scotland but provided insufficient detail to meet the objectives set out above. Smaller studies on IB populations in other areas of the UK have been undertaken. [13]

What this study adds

This study demonstrates how routinely collected data can be used to begin to create a simple dynamic model of the IB population for a defined geography. To date, very little data have been presented that provide information about the on and off flows. This study illustrates the importance of establishing the numerators and denominators of these flow populations and charting changes over time.

By creating a simple, early model (the bathwater diagrams) this study shows that Glasgow has witnessed a decline in IB claimants for the first time in more than two decades but that, to date, this has been achieved mainly by reducing the on flow and not by primarily returning existing IB claimants to work. However, by looking at the off flows by age and length of time on benefit, there is evidence that Glasgow is outperforming Scotland. In recent years, considerable investment has gone into increasing the off flow by supporting IB claimants through return to work schemes. The time period for this study (2000 – 2005) may be too early to have detected the full impact of this more recent investment.

Further, the study provides an important description of the three populations (stock, on flow and off flow) and their characteristics (sex, age, reason for claiming benefit and employment history). For example, it highlights the rise in mental health conditions that now outnumber musculoskeletal disorders. This study also highlights the differences between payment (good work history) and credits only (poor work history) claimants. The reason why credits only claimants have been increasing relative to payments claimants appears to lie in the fact that the national insurance contribution conditions for receiving payments were tightened up in 2001 for new claimants. Since then, fewer of the people coming on to IB have qualified for payments. However, a full understanding requires more research.

Limitations of the study

This study has two major limitations. First, some categories of data were simply not available. For example, no information was obtained about the destination and outcomes for those who were in the off flow. There is clearly a big difference between people moving into work, transferring onto benefits, retiring or being lost in the system. Second, the data had limitations when set against our objectives. For example,

with the data provided, we could not break down subcategories (e.g. those with mental health problems) by sex, age and length of time on benefit.

This work continues. In the current phase, we are investigating other data sources which will place IB claimant analysis within the context of the labour force and the whole working aged population. Also, comparison will be made with relevant UK populations.

Conclusions

The DWP data can be used locally to provide important insights into the dynamics of the IB population. However, to be truly useful, more work needs to be undertaken to combine the DWP data with other information. Glasgow has a significant challenge in the size and nature of its IB population but can take some encouragement from the trends established up until 2005. Further work should create a tool that can monitor the impact of policy on the vulnerable population over time.

Acknowledgements

We acknowledge the help of Penny Sinclair and Gary Gifford, DWP and Professor Carol Tannahill and the Glasgow Centre for Population Health who provided the funding for the study.

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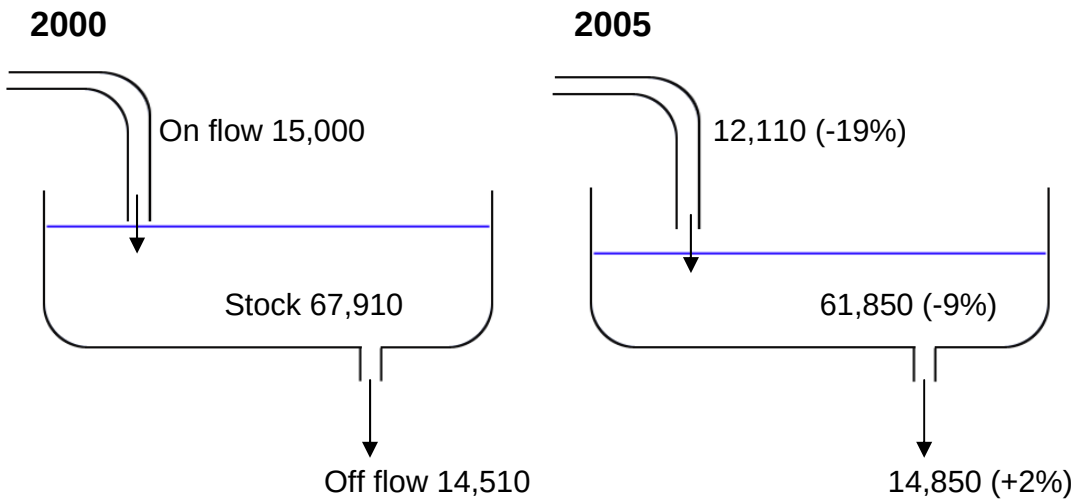

Fig. 1 Stock IB claimants, On and Off Flows in Glasgow in 2000 and 2005

The percent change in stock IB claimants, on and off flow is shown in brackets

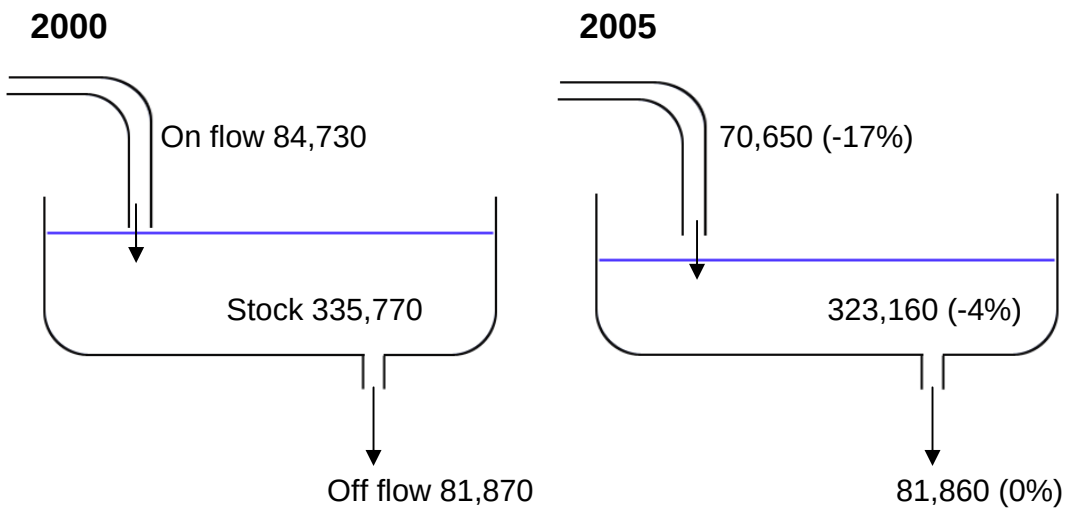

Fig. 2 Stock IB claimants, On and Off Flows in Scotland in 2000 and 2005

The percent change in stock IB claimants, on and off flow is shown in brackets

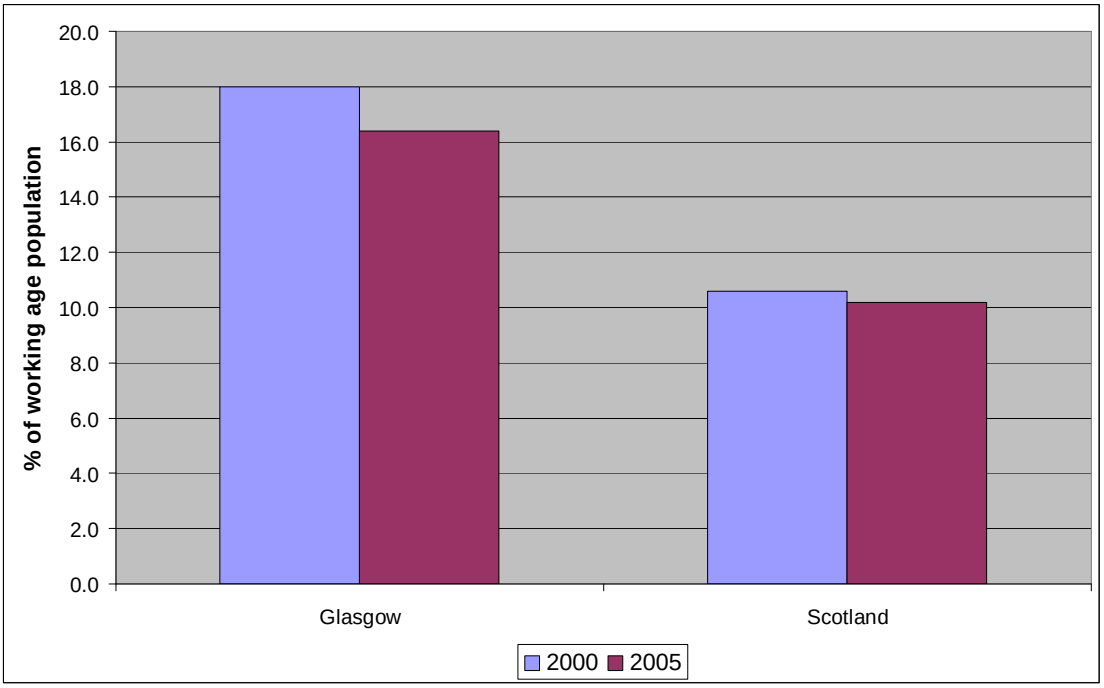

Fig. 3 Total stock IB claimants in Glasgow and Scotland as percent of the working age population in 2000 & 2005

Table 1 Percent of IB claimants with a mental health problem

	Glasgow			Scotland		
	Total claimants	Payment claimants	Credits only claimants	Total claimants	Payment claimants	Credits only claimants
June 99 – Aug 99	38.9%	32.4%	49.9%	32.4%	27.9%	45.5%
Dec 05 – Feb 06	50.4%	42.8%	59.5%	43.2%	36.9%	55.5%

Table 2 On flow rates in Glasgow and Scotland in 2000 and 2005

	Glasgow		Scotland	
Year	Total Claimants	On Flow Rate[a]	Total Claimants	On Flow Rate[a]
2000	15,000	4.8%	84,730	3.0%
2005	12,100	3.8%	70,650	2.5%
		21% reduction		16% reduction

[a]*On Flow rate is expressed as a percent of the working age population (WAP) not on IB*

Table 3 Off flow rates in Glasgow and Scotland in 2000 and 2005

	Glasgow		Scotland	
Year	Total Claimants	Off Flow Rate[a]	Total Claimants	Off Flow Rate[a]
2000	14,510	21.4%	81,870	24.4%
2005	14,850	24.0%	81,860	25.3%

[a]*Off Flow rate is expressed as a percent of the total stock population.*

Mental Health as a reason for claiming Incapacity Benefit – a comparison of national and more local trends.

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Running Title

Mental Health and Incapacity Benefit

ABSTRACT

Background

Incapacity benefit (IB) claimants have become a focus for policy makers. Strategies to help this group depend on an understanding of the reasons for claiming benefit at a local level where variations from a national strategy may be needed.

Methods

Data supplied by the Department for Work and Pensions (DWP) was analysed to establish reasons for claiming benefit in Scotland and Glasgow between 2000 and 2007.

Results

There has been a continuing rise in mental health diagnosis and a corresponding fall in musculoskeletal diagnosis during this period. More people were claiming because of mental health problems in Glasgow than in Scotland. Also those with a poor employment history (credits only claimants) are more likely to claim IB because of a mental health problem. This analysis also highlighted the growing importance of problems caused by alcohol and drug abuse.

Conclusions

DWP data can be used to provide important insights into the trends in reasons for claiming IB and should be used at a local as well as a national level to guide and evaluate interventions to help this vulnerable group.

Keywords

Incapacity Benefit, Mental Health

Word Count

2840

Introduction

Incapacity Benefit (IB) is the key contributory benefit for people who are incapable of work because of illness or disability. In order to qualify for IB, claimants must be incapable of work, not entitled to Statutory Sick Pay and have sufficient National Insurance contributions. Several reports have provided general information on IB claimants.[1-4] These show important UK trends (e.g. falling total IB claimants, movement from musculoskeletal to mental health problems) but provide insufficient details about the characteristics of the claimants in any city or region to be truly useful for monitoring the local impact of policy initiatives.

From the 1960s to the 1990s, musculoskeletal disorders were the main reason for claiming sickness benefits in the UK.[5] However, since then there has been a dramatic shift in the reason for claiming IB to mental behavioural disorders.[6] The reduction in musculoskeletal disorders as a cause of morbidity has accompanied changes in the medical management of low back pain to one of encouraging continuing activity rather rest.[7]

Glasgow is an IB 'hot spot' and has the largest single population of IB claimants in the UK.[8] Glasgow also has some of the highest rates in the UK of alcohol related harm, drug misuse and mental health disorders.[9] Therefore, there may be important differences in local trends that may inform interventions. In this study data for Scotland and Glasgow was analysed to characterise the reasons for claiming IB and to understand more about the mental health claiming group, in particularly the alcohol and drug abuse group.

Six main questions were addressed in the study:

1. How many mental health claiming IB claimants are there in Scotland and Glasgow compared to those claiming because of musculoskeletal problems?
2. How has this changed over the seven year time period?
3. Are there differences between payment and credits only[1] IB claimants, in terms of claiming IB because of a mental health problem?

[1] Distinction explained in methods

4. What is the breakdown of the mental health group (in terms of mental health category, sex, age and length of time on benefit)?
5. How does the mental health profile compare with the profile of total IB claimants?
6. In particular, what are the characteristics of those claiming IB because of alcoholism and drug abuse?

Methods

The study team received comprehensive data (100% sample of IB claimants) for Scotland and Glasgow from the Department for Work and Pensions (DWP) Information Directorate Work and Pensions Longitudinal Study for the period 2000 to 2007. Data for stock IB claimants were provided quarterly from December 1999 until February 2007. To illustrate the change over the seven years of analysis, a breakdown by reason for those claiming IB is shown for the first and last quarter, i.e. Dec '99 – Feb '00 and Dec '06 – Feb '07 but this was only chosen as the approach once it had been established that changes had been gradual and constant over the period of analysis. For simplicity the quarter ending February 2000 will be referred to as '2000' and quarter ending February 2007 will be referred to as '2007'.

Data on the mental health claiming group of IB claimants was further analysed by mental health category, sex, age and length of time on benefit. The groups claiming because of alcoholism and drug abuse were investigated further.

IB claimants can be divided into two groups – "Payment" IB claimants and "Credits only" IB claimants. Together these two categories make up what is commonly understood to be a single IB claiming population however there are clear distinctions between the two groups. Definitions are complex and the benefit system as a whole tries to ensure that individuals receive broadly equivalent amounts from the State – but the source may vary. Payment IB claimants must be incapable of work, not entitled to Statutory Sick Pay, and have sufficient National Insurance (NI) contributions to receive IB payment. Payment IB claimants therefore have a good recent work history. Credits only claimants will not have made sufficient NI contributions but fulfil all the other qualifying conditions for IB and so receive

financial support from other sources. They are “credited” with pension contributions and gain access to other benefits like Income Support with a disability premium. These claimants have less good recent work histories. In this study the total claimants can be broken down into payment and credits only claimants and where differences have been found between the two groups this is highlighted.

Results

Main Reason for claiming IB in Scotland and Glasgow

The most common reason for claiming IB in 2000 and 2007 in both Scotland and Glasgow was mental and behavioural disorders. In the 2000 there were 333,430 IB claimants in Scotland of which 111,930 (33.6% of total) were claiming because of mental and behavioural problems. By 2007 the number of total IB claimants had decreased to 308,630 however the number claiming because of mental and behavioural problems had increased to 136,530 (44.2% of total) (Table 1).

In 2000 there were 67,440 IB claimants in Glasgow of which 27,040 (40.1% of total) were claiming because of mental and behavioural problems. By 2007 the number of total IB claimants had decreased to 57,300 however the number claiming because of mental and behavioural problems had increased to 29,420 (51.3% of total) (Table 1).

There has been a decrease in the number receiving IB because of diseases of the musculoskeletal system in Scotland (from 19.9% to 15.4%) and Glasgow (from 16.8% to 12.5%) (Table 1).

Mental Health IB claimants in Scotland and Glasgow - Payment v Credits only claimants

Table 2 shows total IB claimants claiming because of a mental health problem split into payment and credits only claimants. The percentage of payment and credits only claimants claiming because of a mental health problem has increased from 2000 to 2007 in Scotland and Glasgow. There are more mental health claiming credits only claimants than payment claimants in both Glasgow and Scotland (in 2007 37.8%

payment claimants, 56.2% credits in Scotland; in 2007 43.8% payment, 60.0% credits only in Glasgow).

Breakdown of mental health causes of claiming IB in Scotland and Glasgow

The mental health claiming group can be broken into 25 categories. In Scotland the main reason for claiming IB due to a mental and behavioural problem in 2000 was 'depressive episode' (32.8%) (Table 3a). There was an increase in the number of people claiming for this reason in 2007 (37.9%). Claiming because of alcoholism and drug abuse has increased, but only modestly, from 2000 to 2007 (alcohol 6.2% to 6.9%; drug abuse 4.4% to 5.9%).

In Glasgow the main reason for claiming IB due to a mental and behavioural problem in 2000 was 'other neurotic disorders' (47.3%) (Table 3b). There has been a decrease in the number of people claiming for this reason in 2007 (35.2%) but 'other neurotic disorders' was still the main reason for claiming IB due to a mental health problem. Claiming because of a depressive episode, alcoholism and drug abuse have increased from 2000 to 2007 (depressive episode 22.4% to 28.9%; alcohol 6.3% to 7.7%; drug abuse 4.3% to 4.8%).

Breakdown of all mental health claiming group by sex, age and length of time on benefit

We can breakdown all the mental health categories by sex, age and length of time on benefit. Table 4a shows the breakdown of the whole mental health group in Scotland and Glasgow in 2000 and 2007.

The ratio of females to males claiming because of a mental health problem is similar to those total IB claimants in both Scotland & Glasgow ***(table 4b shows a breakdown of total IB claimants – not sure if we will include Table 4b)***.

The age profile of the mental health claiming group is younger than total IB claimants. For example in 2007 the percentage of total claimants in the 35-44 age category was 21.9% in Scotland and 24.5% in Glasgow. In the same quarter the percentage claiming because of a mental health problem was 27.3% in Scotland and 29.7% in Glasgow (Table 4a & 4b).

There have been decreases in all the duration of claim categories between 2000 and 2007 except for the 'greater than five years' category where there have been increases (for Scotland 39.1% to 53.0%; for Glasgow 41.2% to 56.3%). This is similar to total IB claimants.

Breakdown of alcoholism claiming group by sex, age and length of time on benefit

The results for the alcohol claiming IB group are shown in Table 5a. There are many more men claiming IB because of alcoholism than women in both Scotland and Glasgow (in 2000, 85.4% men, 14.6% women in Scotland; 88.9% men, 11.7% female in Glasgow). However there has been an increase in the number of women claiming due to alcoholism over the seven year period (for 2007 up to 16.7% in Scotland; up to 14.5% in Glasgow).

The age profile of the alcoholism group is younger than the total IB claiming group (for the alcoholism 35-44 age group, 30.7% in Scotland, 30.4% Glasgow in 2000; for the total IB claiming group 35-44 age group, 19.9% in Scotland, 22.6% Glasgow in 2000 **[*data possibly not shown - Table 4b]***).

In 2000 the largest claiming groups because of alcoholism were the two categories '2 year and up to 5 years' (Scotland 33.9%; Glasgow 32.2%) and '5 years and over' (Scotland 34.4%; Glasgow 40.4%). However by 2007 there had been a shift with the largest group being the '5 years and over' group Scotland 49.0%; Glasgow 52.0%).

Breakdown of drug abuse claiming group by sex, age and length of time on benefit

The results for the drug abuse claiming IB group are shown in Table 5b. There are more men than women claiming because of drug abuse (in 2000, 77.1% men, 22.9% women in Scotland; in 2000 73.5% men, 26.5% female in Glasgow). The ratio of women to men claiming because of drug abuse is greater than alcoholism. Figures remain largely unchanged for Scotland in 2007. In Glasgow there is an increase in the number of males claiming because of drug abuse (in 2007 up to 78.0%).

The age profile of the drug abuse claiming population is younger compared to total claimants (for the drug abuse 25-34 age group, 52.1% in Scotland, 55.6% Glasgow in 2000; for the total IB claiming group 25-34 age group, 14.2% in Scotland, 16.6% Glasgow in 2000). The decrease between 2000 to 2007 in the 25-34 age category is likely to be due to this group getting older and moving into the next age category (35-44 age category increases from 15.8% to 32.8% in Scotland from 2000 to 2007; 35-44 age category increases from 19.7% to 46.1% in Glasgow from 2000 to 2007).

The increase in the number of people claiming because of drug abuse shows a more recent increase. In 2000 there are more drug abusers in the shorter duration of claims group compared to total claimants. In 2000 the highest group claiming because of drug abuse was the '2 years and up to 5 years' in both Scotland (30.4%) and Glasgow (30.8%). By 2007 the largest category was the '5 years and over' category (Scotland 37.0%; Glasgow 46.8%).

Discussion

Main findings of this study

This study provides an analysis of the IB population who had a mental health diagnosis as a reason for claiming IB in Scotland and Glasgow in 2000 and 2007. This paper has been able to show for the first time the breakdown of the mental health group by mental health category, sex, age and length of time on benefit. Further, those claiming because of alcoholism and drug abuse have been characterised.

There has been a continuing rise in mental health diagnosis and a corresponding fall in musculoskeletal diagnosis during this period. More people were claiming because of mental health problems in Glasgow than in Scotland. Also more credits only claimants are claiming IB because of a mental health problem which suggests that mental health diagnosis are more likely in those with a poor work history. The large number of individuals diagnosed as having a depressive, neurotic or anxiety disorder opens up the possibility that many of these individuals might respond to treatment and may not have permanent disability.

Alcoholism and drug abuse as a reason for claiming IB are more common in men than women and increased over the study period in both Scotland and Glasgow causing together 12.8% of mental health problems in Scotland and 12.5% in Glasgow in 2007. In 2000 unlike other groups there are more people claiming IB for these reasons with shorter duration of claims. However by 2007 the largest claiming group was 'greater than five years' category.

What is already known on this topic

In the 1980s the growth in sickness-related benefits was largely due to musculoskeletal conditions, which outnumbered two to three times the relatively stable numbers with mental health conditions. Since the mid to late 1990s, there has been a dramatic shift in the main reason for claiming IB from musculoskeletal to mental health diagnoses. A recent figure for the whole of the UK showed that 37% of the stock IB population were claiming IB because of mental health conditions[10] compared to 16% in 1996.[6] The vast majority of this increase is in mild to moderate mental health conditions like depressive symptoms, anxiety, stress or other 'neuroses', with only a small numbers having serious psychiatric illnesses such as schizophrenia. Interestingly, there was a geographical dimension to this increase in mild/moderate mental health conditions, which started in the south east of England and spread progressively to the rest of the country supporting the augment that it is a social rather than a biological phenomenon.[6]

What this study adds

This study describes in detail the mental health claiming IB population in Scotland and Glasgow in 2000 and 2007. Other studies have provided only broad medical diagnostic categories for those claiming IB and have not given an insight into those medical reasons for claiming IB because of mental and behavioural disorders. Further this study highlights the alcohol and drug abuse claiming groups.

It is known that Glasgow is an IB hotspot but this study also shows that Glasgow's IB population has more claimants with mental health problems than Scotland and the UK. It also shows the larger proportion of credits only claimants in this category.

Of the different mental health diagnostic categories used in 2000, 69.3% were either depressive, neurotic and anxiety disorders in Scotland, compared with 79.8% in Glasgow suggesting that in Scotland mental health shows some differences from Glasgow in total contribution to IB. Also those with a mental health diagnosis tend to be younger in both Scotland and Glasgow compared with the total IB population. The large number of individuals diagnosed as having a depressive, neurotic or anxiety disorder indicates that many of these individuals would be amenable to treatment and may not have permanent disability. Severe mental health problems such as schizophrenia and psychotic disorders and mood disorders were relatively small in numbers and did not change as a proportion of the whole over the study period.

This study gives detailed information on the alcohol and drug abuse group. Although the majority are male there are increasing numbers of females claiming for these reasons. These claimants also tend to be younger. The 'length of time on IB' profile shows that claiming because of drug abuse and to a lesser extent alcohol was a relatively new phenomenon in 2000 with relatively short durations of claims. By 2007 the pattern was more like that of total IB claimants with the largest group of alcohol/drug abuse claimants claiming for over 5 years.

Limitations of the study

There may be limitations associated with the classification of the type of mental health illness. Although this study has for the first time shown the breakdown of the mental health claiming group in Scotland the classification depends on the consistency and interpretation of those doing this (General Practitioners and DWP gate keeping doctors) and the results of Personal Capability Assessment (PCA). A recent review has been undertaken to consider the impact of the changing pattern of mental health problems and treatment options on the effectiveness of the mental health component of the PCA assessment.[11] Also, only one illness is required to be recorded when claimants may actually have a number of conditions. In the year 2000 in Glasgow other neurotic disorders were the largest category at 47.3% compared with 25.4% in Scotland where depressive episode was the largest category at 32.8%. These differences in diagnostic categorisation of individuals with mental health continued in 2007. There is clearly a difference in diagnostic labelling, or a real difference in psychiatric morbidity in Glasgow when compared to Scotland as a whole

with neurosis being more common in Glasgow, compared with Scotland where depression predominated.

Conclusions

The DWP data can be broken down into twenty five mental health diagnoses. This study has highlighted the differences in these categories in 2000 and 2007 in Scotland and Glasgow. Having a detailed breakdown of this group of claimants could help with policy decisions for this vulnerable population. There is a need for this work to be carried out at a local as well as a national level because local differences should inform strategy. This study also suggests that the routine DWP data, while important, should be supplemented by other studies that provide insight into what is driving these trends.

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Table 1 Percent of total IB claimants with mental health problem or musculoskeletal problem in Scotland and Glasgow

	Scotland		Glasgow	
Quarter Ending	Mental and Behavioural Disorders (%)	Diseases of the Musculoskeletal system (%)	Mental and Behavioural Disorders (%)	Diseases of the Musculoskeletal system (%)
Feb 2000	33.6	19.9	40.1	16.8
Feb 2007	44.2	15.4	51.3	12.5

Table 2 Percent of total, payment and credits only IB claimants claiming because of a mental health problem in Scotland and Glasgow

	Scotland			Glasgow		
Quarter Ending	Total claimants (%)	Payment claimants (%)	Credits only claimants (%)	Total claimants (%)	Payment claimants (%)	Credits only claimants (%)
Feb 2000	33.6	28.8	46.5	40.1	33.5	50.7
Feb 2007	44.2	37.8	56.2	51.3	43.8	60.0

Table 3 Breakdown of mental health IB claiming group in Scotland and Glasgow

	All Mental and Behavioural Disorders			
	Scotland		Glasgow	
	Quarter ending Feb 00	*Quarter ending Feb 07*	*Quarter ending Feb 00*	*Quarter ending Feb 07*
	Number (%)	*Number (%)*	*Number (%)*	*Number (%)*
Depressive Episode	36,750 (32.8%)	51,710 (37.9%)	6,060 (22.4%)	8,510 (28.9%)
Other Neurotic Disorders	28,410 (25.4%)	23,990 (17.6%)	12,790 (47.3%)	10,370 (35.2%)
Other anxiety Disorders	12,480 (11.1%)	14,190 (10.4%)	2,740 (10.1%)	3,000 (10.2%)
Alcoholism	6,940 (6.2%)	9,380 (6.9%)	1,710 (6.3%)	2,270 (7.7%)
Unspecified Mental Retardation	6,480 (5.8%)	5,590 (4.1%)	540 (2.0%)	520 (1.8%)
Drug Abuse	4,930 (4.4%)	8,030 (5.9%)	1,170 (4.3%)	1,410 (4.8%)
Schizophrenia	3,430 (3.1%)	3,870 (2.8%)	470 (1.7%)	570 (1.9%)
Reaction to Severe Stress	2,930 (2.6%)	5,950 (4.4%)	390 (1.4%)	920 (3.1%)
Specific Development Disorders of Scholastic Skills	2,490 (2.2%)	5,360 (3.9%)	220 (0.8%)	610 (2.1%)
Mental Disorder not otherwise specified	2,100 (1.9%)	2,910 (2.1%)	180 (0.7%)	380 (1.3%)
Unspecified nonorganic Psychosis	1,560 (1.4%)	1,770 (1.3%)	200 (0.7%)	260 (0.9%)
Phobic Anxiety Disorders	880 (0.8%)	920 (0.7%)	180 (0.7%)	200 (0.7%)
Mental and Behavioural Disorders associated with the puerperium, not elsewhere classified	770 (0.7%)	600 (0.4%)	150 (0.6%)	90 (0.3%)
Persistent mood disorder	520 (0.5%)	280 (0.2%)	70 (0.3%)	30 (0.1%)
Unspecified mood disorder	470 (0.4%)	660 (0.5%)	70 (0.3%)	70 (0.2%)
Persistant delusional disorder	140 (0.1%)	250 (0.2%)	20 (0.1%)	40 (0.1%)
Eating disorder	130 (0.1%)	180 (0.1%)	20 (0.1%)	40 (0.1%)
Specific Personality Disorders	130 (0.1%)	220 (0.2%)	10 (0.0%)	20 (0.1%)
Manic Episode	120 (0.1%)	120 (0.1%)	10 (0.0%)	10 (0.0%)
Recurrent Depressive Disorder	110 (0.1%)	190 (0.1%)	30 (0.1%)	100 (0.3%)
Unspecified Dementia	100 (0.1%)	70 (0.1%)	10 (0.0%)	10 (0.0%)
Pervasive Development Disorders	40 (0.0%)	290 (0.2%)	10 (0.0%)	30 (0.1%)
Dissociative Disorders	10 (0.0%)	10 (0.0%)	0 (0.0%)	0 (0.0%)
Psychological and behavioural factors associated with disorders or diseases elsewhere classified	0 (0.0%)	0 (0.0%)	0 (0.0%)	0 (0.0%)
Somatoform Disorders	0 (0.0%)	0 (0.0%)	0 (0.0%)	0 (0.0%)

Table 4 Breakdown of mental health (MH), alcoholism, drug abuse and total IB claiming groups by sex, age & reason on benefit in Scotland and Glasgow

		Scotland		Glasgow	
		Quarter ending Feb 00 Number (%)	*Quarter ending Feb 07 Number (%)*	*Quarter ending Feb 00 Number (%)*	*Quarter ending Feb 07 Number (%)*
Sex					
MH group	Female	51,590 (46.1%)	61,880 (45.3%)	11,800 (43.6%)	12,590 (42.8%)
	Male	60,350 (53.9%)	74,650 (54.7%)	15,240 (56.4%)	16,830 (57.2%)
Alcoholism group	Female	1,010 (14.6%)	1,570 (16.7%)	200 (11.6%)	330 (14.6%)
	Male	5,930 (85.4%)	7,810 (83.3%)	1,520 (88.4%)	1,930 (85.4%)
Drug abuse group	Female	1,130 (22.9%)	1,830 (22.8%)	310 (26.5%)	320 (22.5%)
	Male	3,800 (77.1%)	6,200 (77.2%)	860 (73.5%)	1,100 (77.5%)
Total claimants	Female	140,340 (42.1%)	135,700 (44.0%)	27,330 (40.5%)	23,890 (41.7%)
	Male	193,090 (57.9%)	172,930 (56.0%)	40,110 (59.5%)	33,410 (58.3%)
Age					
MH group	35-44	28,990 (25.9%)	37,280 (27.3%)	7,530 (27.8%)	8,730 (29.7%)
Alcoholism group	35-44	2,130 (30.7%)	2,600 (27.7%)	520 (30.4%)	590 (26.0%)
Drug abuse group	25-34	2,570 (52.1%)	3,900 (48.6%)	650 (55.6%)	540 (38.3%)
	35-44	780 (15.8%)	2,630 (32.8%)	230 (19.7%)	650 (46.1%)
Total claimants	25-34	47,300 (14.2%)	38,830 (12.6%)	11,200 (16.6%)	7,420 (12.9%)
	35-44	66,310 (19.9%)	67,520 (21.9%)	15,270 (22.6%)	14,040 (24.5%)
Length of time on benefit					
MH group	5 years and over	43,750 (39.1%)	72,330 (53.0%)	11,130 (41.2%)	16,550 (56.3%)
Alcoholism group	2 years and up to 5 years	2,350 (33.9%)	2,160 (23.0%)	550 (32.2%)	510 (22.5%)
	5 years and over	2,390 (34.4%)	4,600 (49.0%)	690 (40.4%)	1,180 (52.0%)
Drug abuse group	2 years and up to 5 years	1,500 (30.4%)	2,250 (28.0%)	360 (30.8%)	340 (24.1%)
	5 years and over	760 (15.4%)	2,970 (37.0%)	250 (21.4%)	660 (46.8%)
Total claimants	5 years and over	146,870 (44.0%)	175,390 (56.8%)	31,200 (46.3%)	34,110 (59.5%)

Paper [6]:

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LONG-TERM UNEMPLOYMENT, THE INVENTION OF 'HYSTERESIS' AND THE MISDIAGNOSIS OF STRUCTURAL UNEMPLOYMENT IN THE UK

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Long-Term Unemployment, the Invention of 'Hysteresis' and the Misdiagnosis of Structural Unemployment in the UK

Abstract:

This paper investigates the empirical basis for the belief that unemployment makes people less "employable", and that the existence of a pool of long-term unemployed people is therefore in itself a barrier to full employment. Drawing on data for Great Britain from the 1940s to the present day, it shows that this idea has arisen through misinterpretations of the statistical evidence. The resulting policies, besides diverting resources from the demand-side programmes appropriate to the true situation of structural unemployment, appear to have created a problem of the kind they were intended to address, by encouraging unemployed people to move on to sickness benefits.

Key words: Long-term unemployment, Unemployment persistency, Hysteresis, Employability, State dependence
JEL classifications: B22, I38, J64, R23

Over the last twenty years, a huge academic literature and a raft of policies have grown up on the basis of the idea that an increase in unemployment produces an increase in long-term unemployment which is not simply reversible by an increase in demand for labour. Special policies are alleged to be required to "reconnect" the long-term unemployed with the labour market. This is assumed to be because being unemployed makes people less "employable", so that the existence of a pool of long-term unemployed people in itself becomes a barrier to full employment. It is argued that there is "hysteresis", in other words the behaviour of the labour market is determined not by the current state of economic variables, but by what has happened before.

While there clearly are people who need help to improve their employability for various individual reasons, this paper will show that there never has been any problem of irreversibility in long-term unemployment in the aggregate and that the policies supposedly required to deal with it are therefore unnecessary. A rise in unemployment duration is a natural and unavoidable consequence of a rise in unemployment level. With falling total unemployment, it reverses itself. The belief that it has some special significance is the result of analytical mistakes including jumping to conclusions on the basis of very short runs of data, failure to examine the relevant lag structures, and failure to consider the geography of unemployment and its connection with employment change. There is a straightforward explanation for the persistency of high unemployment in Britain, indicated by much previous experience, especially in the interwar period. Because it arose mainly from loss of employment in manufacturing and mining, which was concentrated in particular places, it is structural. Adjustment both sectoral and geographical has been required, and this takes time. Furthermore, the employment losses were not merely a once-for-all "shock", but a continuing trend. Jobs have gone on being lost from the same industries in the same places, so that adjustment processes could not catch up.

In response to the mistaken analysis of long-term unemployment, official policy has not only de-emphasised the demand-side urban and regional policies which would have helped to address the real problem. It has also directed large resources to "active labour market policies" aimed at shortening unemployment durations and addressing "employability". The efficacy of these programmes is at best doubtful. Most seriously, the state of being unemployed has been made so unattractive, by reducing benefits, shortening their duration, and imposing increasingly stringent conditions on their receipt, that large numbers of people have been driven into the status of long-term sickness, where they have even less chance of getting a job. Thus economists and policy makers have created a problem of the very kind they thought they were addressing.

The paper is laid out as follows. The first two sections set out what has happened to unemployment and unemployment duration in Great Britain from the 1940s to the present day, in time series and cross-section, drawing data from the claimant count, Labour Force Survey and Census. The third and fourth sections outline the reasons for misinterpretation of the evidence, and the theories around unemployment duration which grew from the mid-1980s onwards. The fifth section outlines the policies which were based upon them and shows how these policies have led to a real problem of "hysteresis", of an unforeseen kind. The brief final section draws out some lessons.

The paper's findings about the relationship between unemployment duration and employability are the same as those of Åberg (2001), who examined Swedish data on long-term unemployed individuals and concluded that they did not show falling employability. But this paper takes a different approach in focusing on unemployment aggregates at national and local levels. It is probably more conclusive, in showing that the supposed phenomena which gave rise to theories of unemployment hysteresis did not exist in the first place.

This paper uses the now standard definition of "long-term" as over a year.

1. Unemployment and unemployment duration since the war

Fig. 1 shows the course of total and long-term claimant unemployment in Great Britain since 1948, as percentages of the labour force (the "economically active"). The huge scale of the surge in unemployment in the early 1980s is apparent. The peak of the early 1990s was lower, but also very high. Total and short-term unemployment show marked seasonality, whereas by definition long-term unemployment cannot do so. Otherwise, short- and long-term unemployment have moved very closely together, when allowance is made for the time lags. Short-term unemployment leads total unemployment ("U") by about one quarter. Long-term unemployment, measured as a percentage of the labour force ("L"), lags total unemployment by 3 quarters, and lags short-term unemployment by one year. Long-term unemployment measured as a percentage of total unemployment ("LAPU") lags total unemployment by 6 quarters.

INSERT FIG. 1 HERE

Sources: DEP 1971, Employment Gazette, Labour Market Trends, NOMIS. From Jul 1962 the recording dates changed from Mar, Jun, Sept, Dec to Jan, Apr, Jul, Oct. Jan 1974 and Jan 1975 missing.

In measuring long-term unemployment, economists have usually focused on LAPU rather than on L. This has proved unfortunate, in that LAPU behaves oddly, as shown in Fig. 1. Its lag behind total unemployment is double that for L. Unlike L, LAPU is affected by seasonality in U, which is its denominator. In addition, while L tracks U smoothly, LAPU moves in the opposite direction at turning points. This is because a turning point has an immediate effect on short-term unemployment, which makes LAPU rise or fall, even if the actual level of long-term unemployment remains unchanged. Finally, LAPU is not of intrinsic interest since in relation both to policy and to hysteresis-type theories, the issue is the actual amount of long-term unemployment, which is only consistently shown by L. However, L does have one disadvantage, in that the variability of the relationship between long-term unemployment and total unemployment is constrained by the fact that long-term is included within total unemployment. In examining this relationship it is therefore worth looking at all the different measures.

Allowing for the appropriate lags, Figs. 2, 3 and 4 show that the relationships between the different measures of unemployment over the 55 years 1948-2003 have remained effectively the same. Although long-term unemployment did indeed rise hugely after 1979 and 1990, it has tracked down in relation to short-term and to total unemployment in almost exactly the same way that it tracked up. In spite of changes in policy, there has been no significant change in the relationship at any time, however it is measured. There is no sign that the pool of supposedly less employable long-term unemployed people, which has so preoccupied economists and governments, ever existed. Even the UK government's active labour market programmes (the "New Deals"), introduced since April 1998 and aimed particularly at addressing long-term unemployment, have had no visible effect at this level.

INSERT FIG. 2 HERE

Sources: As for Fig. 1. Jul and Oct 1962, Jan 1963, Jan 1974 and Jan 1975 missing.

The relationship between L and U (Fig. 2) is the most important, because L measures the stock of long-term unemployed people, while U is a good measure of the overall balance of supply and demand for labour. The L-U curve is asymptotic to the U-axis, with a pronounced curvature when U is below about 7 per cent, but almost linear above this. This form has an obvious explanation. First, it must be the case that if unemployment is higher, average duration of unemployment will be higher, since more people will be competing for each job vacancy and therefore the probability of re-employment in any given time period must be lower. This process was analysed for the USA by Sider (1985), who showed that there is a simple linear relationship between unemployment rate and unemployment duration. He estimated that 84 per cent of the impact of a change

in unemployment rate resulted in altered durations, and only 16 per cent in altered incidence of unemployment. Machin & Manning's finding (1998) that the rise in long-term unemployment since the 1960s is due to a collapse in outflow rates from unemployment at all durations points the same way. This explains the monotonic form of the relationship over its whole length, and its almost linear character at higher levels of unemployment. Second, there are people in the labour force who really are less easily employable, as the result of various genuine handicaps, such as disabilities, illiteracy, criminal record etc. These people are more likely to be long-term unemployed. At high levels of unemployment they are a small proportion of the total of long-term unemployed people, and scarcely affect the almost linear form of the curve at these levels. But as unemployment falls this less employable group forms an increasing proportion of the total, and becomes significant. Hence the curvature, and the approach to the horizontal, at lower levels of unemployment. There is direct evidence to support this. The number of people "classified as unsuitable for ordinary industrial employment" was 16.1% of the unemployed total when it was 217,546 in February 1941, but 29.2% in November 1941 when unemployment had fallen to 95,335 (ILO 1942). Similarly, the registered disabled were only 12.2% of the male unemployed in 1971, when total unemployment was close to 3%, but 25.9% in 1953, when it fell below 2% (Baxter 1972).

There is some scatter of observations about the L-U curve. In part, this is due to fluctuations in U, arising from seasonality, changes in trend, or extraneous shocks. For, although L is independent of short-term unemployment, the L-U relationship itself is obviously not. An example of the effect of a shock is October 1963, which is a conspicuous outlier below the curve. This is because unemployment in January 1963, 3 quarters earlier, was boosted by short-term unemployment caused by a severe winter. There was similar turbulence around the turning point of July 1990 to July 1991.

INSERT FIG. 3 HERE

Sources: As for Fig. 1. Jul 1962-Apr 1963, Jan 1974 and Jan 1975 missing.

Fig. 3 demonstrates that the form of the L-U curve is not merely an artefact of the chosen measure. It shows the relationship between long-term and short-term unemployment over the same period 1948-2003, using the 1-year lag which is appropriate in this case. This relationship is indeed somewhat less close than in the L-U curve, but it has essentially the same form. Here it could be argued that there is some evidence of "stickiness" in the return after the 1984 peak, though not after 1993. However, any such effect has been small and temporary, and is of course relative to short-term unemployment. It does not indicate significant "stickiness" in the absolute level of long-term unemployment.

INSERT FIG. 4 HERE

Sources: As for Fig. 1. Jul 1962-Oct 1963, Jan 1974 and Jan 1975 missing.

Fig. 4 shows the relationship in 1948-2003 of LAPU with total unemployment, with its 6-quarter time lag. The form of the curve in this case is the mirror image

of the L-U curve, with the slope falling as U rises. This reflects the fact that, as seen in Fig. 2, L rises relative to U while U is low, but then develops an approximately linear relationship. The LAPU-U relationship is somewhat less close again, but the chart shows that LAPU also has tracked total unemployment fairly smoothly, both up and down. If hysteresis really existed, higher and higher percentage values of LAPU would be seen in the downswing, as short-term unemployment fell while long-term unemployment remained elevated.

INSERT FIG. 5 HERE

Sources: As for Fig. 1. Jan 1974 and Jan 1975 missing.

The LAPU-U relationship is often charted without a lag (e.g. OECD 1987, Machin & Manning 1998). This produces the characteristic "loops" shown in Fig. 5, which have provoked considerable discussion. Looking at these loops in a short time series, the OECD drew the unwarranted inference that there was a "ratchet effect" or "long-term unemployment trap". Machin & Manning (1998) criticised the OECD, pointing out that the loops are only a cyclical effect. But even they did not identify that there is an omitted 6-quarter lag.

The UK quarterly series for the ILO measure of unemployment has been available only since 1992, and therefore is of little use in the present study. Fig. 6 uses a reasonable substitute, namely the annual series for 1979-2003 printed in the OECD's *Employment Outlook*. A 1-year lag is used as the best approximation to the correct 3-quarter lag. On the basis of this series also, UK long-term unemployment has tracked down in approximately the same way that it tracked up.

INSERT FIG. 6 HERE

Source: OECD Employment Outlook, standardised unemployment and survey-based long-term unemployment. Revisions to the OECD statistics can be substantial; the latest published figure has been used in every case.

2. Geographical cross-section analyses

Defenders of hysteresis theories might try to argue that the L-U curve would have shown downward stickiness but for the fact that they persuaded the British government to adopt policies which successfully headed it off. This would leave their position based on an imaginary alternative state. Moreover, British policy towards the unemployed has varied substantially over the period since the 1983 unemployment peak, so that it is unlikely that policy change could explain a consistent absence of downward stickiness. However, what finally disposes of "hysteresis" is that the cross-section data tell the same story as the time series.

Fig. 7 shows the relationship between claimant L and U for British regions for the five years 1977, 1982, 1990, 1995 and 2001. All regions have tracked up and down the same curve over this 24 year period, even though some, such as the North, have consistently had higher L and U than others. There is no sign that any

region has had consistently elevated long-term unemployment.

INSERT FIG. 7 HERE

Sources: Oliver and Webb 1982, Employment Gazette, Labour Market Trends

The British "regions" are not much use in analysing the local labour markets which are relevant to the kind of people who experience unemployment. The local market level is best captured by local authority boundaries, rather than the official Travel-to-Work Areas (TTWAs), which conceal the high concentrations of unemployment in the cities within large areas covering their white collar commuting hinterland (Webster & Turok 1997). Fig. 8 shows the relationship between L and U for all British local authorities when L was at its peak in the mid-1980s. L for July 1984 is plotted against U for October 1983, 3 quarters earlier. The denominator is the count of economically active working age people in the Census of April 1981.

INSERT FIG. 8 HERE

Source: NOMIS and as Fig. 2

Remarkably, this shows the same curve as seen in the time series data for Great Britain. This is confirmed by adding the data points for the Great Britain national relationship for 1948 to 2003 already shown in Fig. 2 to the chart in Fig. 8, as open circles. They are almost entirely hidden, because the two curves are effectively identical. The main difference between the two data sets is that for individual local authorities at the unemployment peak, unemployment and long-term unemployment ranged up to over double the national average. The local authority data set also has more scatter about the curve, due mainly to the existence of high seasonal unemployment in some localities, which boosts the unemployment total with people who by definition cannot be long-term unemployed. Confirming this, the outliers, almost all below the curve, are mainly seaside places. Unfortunately no official seasonal adjustments are available at local authority level, and they could not be produced for this paper within the resources available. However, an exercise was undertaken earlier to make a seasonal adjustment of data for the 60 Scottish Travel-to-Work Areas at October 1995 (Webster 1997). This confirmed the nature of the seasonal effect and produced a large reduction in scatter about the L-U curve.

Fig. 9 shows that the L-U curve across British local authorities was the same in July 1996 as in July 1984. Although the level of unemployment had fallen greatly in most areas, long-term unemployment had everywhere tracked back down in a uniform way.

INSERT FIG. 9 HERE

Sources: NOMIS, Census 2001 (ONS/GRO Scotland)

Fig. 10, by contrast, shows that by July 2001 some change had occurred in the L-U relationship across local authorities. The curve had shifted downwards, so that

areas with higher levels of unemployment had a systematically lower level of long-term unemployment than they would have had on the basis of the relationship applying in 1984 and 1996. This is very likely to be the result of the government New Deals. These will initially have had little effect, because they were largely confined to people aged under 25, who are not often long-term unemployed. But they have gradually affected the prime 25-49 age group. Since April 2001 it has been effectively impossible for anyone of this age to be claimant unemployed for longer than about 22 months. However, this does not necessarily mean that these people have moved into work. This issue will be taken up again in section 3.

INSERT FIG. 10 HERE

Source: NOMIS, Census 2001 (ONS/GRO Scotland)

3. Reasons for the misinterpretation of long-term unemployment

It is clear from the data that long-term unemployment has had an almost completely unvarying, simple relationship with total unemployment throughout the post-war period. At no time or place has there ever been significantly more or less long-term unemployment than would be predicted from this simple relationship, other than as a result of incidental factors such as localised seasonal unemployment or, since 1998, the New Deals which are specifically designed to prevent people from being long-term claimant unemployed. How then did the idea take root that pools of long-term unemployment have wielded significant influence on the labour market in their own right?

The most basic reason seems to have been a pre-existing belief that this would be the case. The idea occurs in the Minority Report of the Poor Law Commission in 1909: "The effect of Unemployment upon the individual workman is to make him in course of time Unemployable" (S. & B.Webb, 1909). Pigou (1933) asserted: "If a man is subjected to unemployment for a long period of time, injurious reactions on his industrial and human quality are almost certain to result....when opportunity comes again, the man, once merely unemployed, is found to have become unemployable". Beveridge (1937) drew the conclusion from the inter-war data that long-term unemployment remained on a new higher level after the Depression, even though his own data showed a simple relationship between unemployment level and duration (Webster 1996). He commented: "Nor is it possible for most of (the long-term unemployed) to escape physical and psychological deterioration through long idleness". The wartime analyses by the ILO (1942) and Reubens (1945), which contradicted this view by showing that long-term unemployment in Britain fell away almost completely when the war started, seem to have been ignored. Reubens noted about data for 1940 that "When the depressed areas were ranked for percentage unemployed and for percentage of unemployed out of work for a year or more, the correlation was perfect".

From the later 1950s, unemployment began to rise slowly again, and long-term unemployment with it. The pronounced upward curvature in the L-U relationship at low levels of unemployment was observed in time series by Simler (1964), who

showed that the long-term to total unemployment ratio for the USA in 1958-63 was underpredicted by the data for 1947-57. He assumed that the relationship was worsening. Baxter (1972) drew similar conclusions from the British data.

Thus when commentators came to look at the huge upsurge in long-term unemployment after 1979, especially if they were writing on the basis of evidence before the downswing began after 1986, they were primed to see it as indicating the existence of "hysteresis". A consensus to this effect rapidly emerged. Budd et al. (1988) wrote: "The ratio of long-term unemployment is higher than one would expect for a given level of unemployment". Layard & Nickell (1987) referred to "the pile-up of long-term unemployment" and asserted that "If there were now a major economic recovery....it is most unlikely that long-term unemployment would fall at all rapidly, unless specific measures were taken to encourage employers to hire the long-term unemployed". The OECD (1988) argued: "Long-term unemployment is now more serious than it was in the pre-recessionary 1979 period and is most unlikely to revert to the levels which prevailed at that time. This suggests that what we are observing is a ratchet-type effect".

A number of other factors contributed to the misinterpretation.

Neglect of the time-lags Bean (1994), writing on European unemployment, commented: "Most of the empirical literature is characterised by a distinctly cavalier attitude to lag structures". In time series analyses, this neglect has led commentators to assume that long-term unemployment was downwardly sticky, when in fact it was conforming to the normal relationship. In cross-section analyses, especially between countries, neglect of the time lags has led to a spurious appearance of variability which was simply due to different places being at different points in the cycle (e.g. OECD 1994 and 2002). The frequency of both types of mistake has been increased by the use of LAPU, with its long time lag. It is impossible to obtain even a reasonable approximation to the correct one-and-a-half-year time lag for LAPU from annual data which are often all that are available on an international basis.

Seasonal unemployment In geographical cross-sectional analyses seasonality can also lead to a spurious appearance of variation, since some areas have far more seasonal unemployment, which, as noted earlier, increases the denominator but not the numerator of LAPU. Examples are Green (1985) and Rigg & Robertson (1996).

Institutional differences There is clear evidence that the long-term to total relationship in the inter-war period in the UK was different from that since 1948 and that this was probably due to the administrative treatment of unemployment spells (Webster 1996). It is therefore almost inevitable that such differences should exist between countries. The OECD (2002) lists some of the differences in the operational definitions of long-term unemployment between countries. Machin & Manning (1998) point out that these differences probably also affect the ILO unemployment measures, even though they are intended to be comparable.

Omission of scatter diagrams Presumably because of their preconceptions, investigators have often asserted or implied that their data showed a loose relationship between long-term and total unemployment when a simple scatter diagram would have shown them otherwise. Examples are Beveridge (1937), Oliver & Webb (1982) and Green & Owen (1990). Oliver & Webb commented that "Broadly speaking, those regions with the highest overall unemployment rates also have the highest....rates of long-term unemployment" when their data actually showed correlations of 0.98 and 0.99. It should be remembered that up to around 20 years ago, scatter diagrams had to be laboriously drawn by hand.

4. Theories of unemployment duration

This analysis has shown that there is nothing for hysteresis-type theories to explain. The relationship between long-term and total unemployment has not changed. The persistency of both has the same simple explanation, indicated by Figs 8, 9 and 10: the distribution of unemployment between different local labour markets is very uneven. Persistent long-term unemployment is an inevitable accompaniment of the high levels of unemployment in the worst areas. These areas are mainly those which have been most affected by deindustrialisation, losing large numbers of manufacturing and mining jobs since the 1970s and in the main not yet having acquired an alternative economic base. The spatial connection between job loss and unemployment has been spelled out for cities by Turok (1999), for the coalfields by Beatty et al. (1997) and at regional level by Rowthorn (2000), although it has been much confused by misleading official statistics which are only now being rectified (Webster 2002).

The appropriate diagnosis is therefore one of spatially concentrated structural unemployment, with a *spatial mismatch* between the unemployed and job opportunities. However the belief that there was "hysteresis" has led to a variety of other theories, some of which have had important consequences in the real world. From a policy viewpoint, the key theories relate to alleged "state dependence" and to the role of out-of-work welfare benefits. "Characteristics" and "insider-outsider" theories are also briefly considered.

State Dependence

The most straightforward theory was that pools of unemployable long-term unemployed had built up because the exposure of large numbers of people to the experience of unemployment as a result of "shocks" to the economy had made them less employable. (The "shocks" were particularly the oil price hike of 1973 and the Thatcher-Howe recession of 1979-83.) The probability of exit from unemployment was thought to be *dependent* upon the length of time for which a person had been in the *state* of being unemployed. This idea was advocated in particular by Budd (e.g. 1998), Layard et al. (e.g. 1991) and the OECD (e.g. 1983, 1988). It has the obvious implication that it is important to catch people early in each unemployment spell and give them work or training to prevent the loss of employability. This has underlain the development of the UK government's New Deals, and of "active labour market policy" in general.

The main evidence adduced for this type of theory has been the secular rise in

LAPU. However, four other main arguments have also been put forward.

* **The declining probability of re-employment with increasing unemployment duration** This is a well established empirical phenomenon. It is universally accepted that much of the decline is due to "heterogeneity", i.e. *ex ante* differences among the unemployed in their personal probability of exit at each duration. As those with the best chance of exit leave the pool of unemployed, the probability of exit for those remaining must fall. In spite of a large literature devoted to this topic, there is no conclusive evidence that there is any "state dependence" over and above the "heterogeneity" effect.

Advocates of "state dependence" have cited employer discrimination, atrophy of skills, and declining job search intensities as explanations of the declining probability of re-employment. But Layard et al. (1991) and Robinson (1991) note that employer discrimination is stronger in areas with tight labour markets and weaker in slack ones. To explain the declining probability, it would have to be the other way about. Bean (1994) found a lack of convincing evidence for skills atrophy. And both Layard et. al and Robinson for the UK, and Åberg (2001) for Sweden, found that search intensity does not in fact decline with unemployment duration.

By contrast, spatial mismatch can clearly in principle account for that part of the declining probability of exit from unemployment which is not due to personal heterogeneity. It takes longer to get a job in Glasgow's Parkhead than in, say, North Yorkshire's Ripon, because jobs are scarcer. The unemployed of Parkhead must therefore steadily come to account for an increasing share of the UK total at each successively longer duration, irrespective of their personal characteristics.

As Røed et al. (1999) recently pointed out, a further limitation of most investigations of "state dependence" is that they do not separately identify exits from unemployment into economic inactivity. Such exits raise the question of the influence of incentives provided by the benefits system, considered further below.

*** Changing exit probabilities over time** Budd et al. (1988) attached great importance to the fact that over the period 1979-87, the exit probability for the 2+ quarters unemployed fell proportionately more than that for the newly unemployed. They argued that this *proved* that there is state-dependence. But:

- The newly unemployed contain more of the seasonally and temporarily unemployed than do the 2+ quarter unemployed; their exit probabilities are relatively invariant to the level of unemployment and this must reduce the degree of fluctuation in their exit probabilities.

- A worsening degree of spatial mismatch would produce differential effects on exit probabilities of the type observed. Spatial mismatch did increase sharply in 1979-84, which was the period of most rapid industrial employment loss. Therefore Budd et al. were wrong to

state that "the observed pattern of exit probabilities from unemployment *can only* be explained by the existence of state-dependence" (emphasis added). Similar objections apply to the parallel argument of Jackman & Layard (1991), based on changes in exit probabilities 1969-85. Machin & Manning (1998) note that this latter argument was dependent on a particular unreasonable assumption.

*** The outwardly shifting U-V ("Beveridge") curve** There is nowadays more unemployment (U) at any given level of job vacancies (V) than there used to be (Jones & Manning 1990). Budd et al. (1988) presented econometric evidence of a strong association between long-term unemployment and the outward shift of the U-V curve and concluded that this was due to state dependence rendering the long-term unemployed less capable of taking up the vacancies. Layard et al. (1991) shared this view, although more "by a process of elimination" of other explanations than because of direct evidence (Jackman et al. 1989). However, there is now good evidence that the increase in vacancies is largely due to the expansion of sectors which have high labour turnover and therefore high vacancy rates, and therefore indicates nothing about labour demand (Webster 2000). In addition, the association noted by Budd et al. can be readily explained by spatial mismatch.

*** Non-contribution of the long-term unemployed to wage adjustment** There have been recurrent findings from econometric studies that higher long-term unemployment is associated with higher rates of wage inflation. Budd et al. (1988), the OECD (1987), and Layard et al. (1991) all argued that (in the latter's phrase) the long-term unemployed are not "good inflation-fighters". They attributed this to the loss of employability of the long-term unemployed. But it can equally well be explained by spatial mismatch. As shown in Figs 8, 9 and 10, the long-term unemployed are disproportionately concentrated in areas which already have a labour surplus. Naturally therefore they are not going to be effective in relieving labour supply bottlenecks in areas of low unemployment.

Layard et al. (1991) looked directly at the question of spatial mismatch as an explanation of unemployment persistence. However, the lowest spatial level which they considered was the official TTWAs, which as noted earlier wash out the most important spatial variations in unemployment. This renders invalid their conclusion that mismatch of all types (occupational etc as well as spatial) could account for at most some two-fifths of total UK unemployment.

Nickell (1997) argued directly that "active labour market policies" (ALMP) have cut long-term unemployment, on the basis of cross-national regressions using averages of OECD "standardised" ILO unemployment for 1983-88 and 1989-94. However replication of these regressions shows that the positive effect of ALMP depended entirely on two observations for Sweden. With a longer run of data now available it is clear that the apparent effect of ALMP mainly reflected the fact that Sweden had low unemployment. Up to 1992 Swedish "standardised" ILO unemployment had never risen above 4%. Since then however there has been a

rapid escalation, to 9.9% in 1997, falling back only to 5.6% in 2003. Once Sweden's unemployment had risen to UK levels, its long-term unemployment also rose very sharply (Fig.6).

Benefit Dependence Theories

Benefit dependence theories are based on the idea that unemployment durations are higher when the ratio of benefits received by people out of work to net wages obtainable in work (the "replacement ratio") is higher, and/or the duration of benefits is longer. Their strongest advocates have been Layard and the OECD.

There is a fundamental implausibility about this idea in relation to the UK. To explain the huge variations in long-term unemployment since the 1970s there would have had to be huge variations in replacement ratios and/or benefit durations. Up to the mid-1980s, these had not occurred, and the significant changes since then have been in the wrong direction. Layard et al. (1991) conceded that "In Britain neither the replacement ratio nor the duration of benefits has altered much since the mid-1960s". There is, moreover, a good deal of direct British evidence against this type of theory (Bean 1994). Budd (1988), while appearing to give some credence to it, noted that his own empirical evidence contradicted it.

Nevertheless this type of theory appears to have had major effects on British policy. Starting in the early 1980s there have been successive reductions in unemployment benefit levels and duration. In part this has probably simply reflected the fact that it is an apparently easy way to save money, and the theory's intuitive appeal. However, it has also reflected a widespread belief that less generous benefit regimes have given a handful of countries lower ratios of long-term to total unemployment. These countries were the USA and Canada, and to a lesser extent Australia and New Zealand. Otherwise, there is a remarkable similarity and constancy in the long-term to total unemployment relationship across countries (Webster 1996, 1997). These international differences could at least partly be due to differences in the administrative treatment of unemployment duration; none of those advocating a benefit dependency explanation for long-term unemployment has actually examined this possibility systematically. However, in the context of the present paper, what matters most is that there is now clear evidence that the differences are likely to be at least partly due to the effect of the benefit system on whether unemployment is classified as such, rather than to its effect on true labour market status. This is discussed further below.

"Characteristics" Theories

These theories are based on the observation that long-term unemployment is concentrated among people with particular characteristics. In particular, older workers consistently have the highest propensity to be long-term unemployed and young workers the least; and the long-term unemployed tend to be less well qualified educationally and to have higher rates of various types of disability. It is reasoned that if the labour force were to come to contain higher proportions of these types of people, then this in itself could explain increases in long-term unemployment. This was the "structural hypothesis" of Simler (1964). There is

detailed analysis of this and other similar studies in Webster (1996). This type of theory has not featured much in recent debates since to explain changes in long-term unemployment on the scale seen since the 1970s, the changes in the character of the labour force would have had to be implausibly large.

Insider-Outsider Theories

These theories are based on the idea that re-entry to jobs of the long-term unemployed is inhibited by restrictive behaviour by those already in employment. However they apply as much to total as to long-term unemployment and have had little effect on policy.

5. Employment and worklessness since the mid-1980s: the impact of policy

It would be difficult to overstate the impact of the misdiagnosis of long-term unemployment on UK economic policy, and also on the subsequent development of the unemployment problem itself. Budd, Layard et al. and the OECD all drew from their analysis the corollary that the UK's high estimated "natural rate of unemployment" or NAIRU was substantially the result of its high level of long-term unemployment. The OECD (1995) argued "long-term unemployment places a high floor on the 'natural rate', which will only be effectively addressed by raising the labour market skills of the long-term unemployed and/or by increasing their attachment to the labour force". Budd went on to be the UK government's Chief Economic Adviser, while Layard was largely responsible for designing the employment policies of the present Labour government.

An unnecessarily high NAIRU is implied by the evidence of Figs 8, 9 and 10. But this evidence suggests that the issue is not detachment of the long-term unemployed from the labour force due to the experience of unemployment, but the distance of a large number of the unemployed of all durations from relevant job vacancies as a result of spatial mismatch – in other words, structural unemployment. The way to address this problem would have been through spatially targeted urban and regional programmes. But these types of policy have been sidelined, while the main policy thrust has been on a "supply-side" package comprising "active labour market policy" and reductions in unemployment benefit levels and duration.

This policy package has been put into place in the UK in three main stages. In the first stage, in 1986, the level of unemployment benefits was reduced relative to sickness benefits, and the Restart programme was introduced which in effect made unemployment benefit conditional on the claimant "actively seeking work". In the second stage, in 1996, unemployment benefits were replaced by the Job Seekers Allowance, which lasts only 6 months and is more strongly dependent on active job seeking. The third stage was the present government's New Deal, for which the rationale was put together by Layard (1997). The principle is to compel all claimants at a given unemployment duration to take up a preparatory "Gateway" followed by a subsidised or unsubsidised job placement of varying quality, or training. This again has been introduced in stages, with the first stage applying mainly to young people aged 18-25. The bulk of prime working age people were brought in only in April 2001 and those aged 50+ are as yet involved

only on a voluntary basis. There is a geographical component to the policy in the form of Employment Zones in areas of high unemployment. These however do not recognise any labour demand deficiency in these areas; they purely comprise additional supply-side measures.

There have been other changes along the way, which have together increased pressure on the unemployed to move out of this status. To take only three examples: earnings-related unemployment benefits were abolished in the early 1980s; the number of unemployed people having their benefit cut for not meeting jobseeking conditions increased from about 100,000 in 1993/94 to over 300,000 in 1995/96 (Murray 1996); and in the Budget of April 2003 the maximum length of journey to work the unemployed are expected to undertake was doubled from half an hour to an hour.

Fig. 10 clearly indicates that the New Deals are now reducing long-term unemployment relative to short-term unemployment, in terms of the claimant count. However there are three main problems.

New Deal outcomes No evaluation is yet available of the full extension of the New Deal to prime age workers. But the results for the 18-25s suggest modest and mixed results. Estimates indicate an increase in youth employment of only 8,000 to 20,000 (House of Commons 2002). Not surprisingly, results have been worst in areas of high unemployment (Sunley et al. 2001). And there is growing evidence that a substantial proportion of participants are simply going through a cycle of short-term unemployment in entry-level jobs, registered unemployment and participation in the New Deal. By 2003, over one fifth (22.4%) had previously participated at least once (Hansard, 17/7/2003).

Spatial unemployment disparities It is evident from Fig. 10 that the New Deal has been ineffective in reducing unemployment disparities. Even on the increasingly narrow claimant basis, unemployment at April 2003 (using Census 2001 economically active as denominator) ranged up to 10 per cent in individual local authority areas. Many of the high unemployment areas are very large population centres, including Liverpool (8.9%), Manchester (8.9%), Middlesbrough (8.6%), Hull (8.1%), Birmingham (7.9%), Leicester (7.7%), Glasgow (7.4%), Dundee (7.2%) and Nottingham (6.8%).

Movement into other statuses The most serious problem however is the enormous growth of economic inactivity, especially in the form of sickness, among men. Recently constructed historical series for employment rates (Bell 2000, Doyle 2003) show that the recession of 1979-83 cut the male rate by 9 percentage points in only 4 years, and that it has since recovered by only 2 percentage points. Most of the fall in employment is due to an increase in those economically inactive due to sickness. The European Labour Force Survey results for 2000 showed the UK with the highest working age sickness in the European Union, at 6.8 per cent.

Sickness claims lasting over 6 months grew from under 400,000 in 1963 to over 2 million in 2002 (Webster 2002). Most of the increase took place in the decade following the 1986 package of unemployment benefit changes, and it has been

concentrated in areas of high unemployment. Fig.11 shows the distribution of claimant long-term unemployment, sickness or disability, and total inactivity across British local authorities at April 2001. Long-term claimant unemployment is clearly a small part of the picture. Even for men, it reaches a maximum of 3.1% of the working age population, in Liverpool. Sickness is a far bigger element, ranging up to 20% for men (13.4% in Liverpool). It is clearly strongly correlated with unemployment. In 1981, almost no area had more than 5.0 per cent of its working age population long term sick.

INSERT FIG. 11 HERE

Sources: NOMIS, Census 2001 (ONS/GRO Scotland). Working age 16-64. Lines connecting the points are for visual clarity only.

Many commentators argue that the UK has had a highly successful labour market performance, with unemployment now relatively low by both national and international standards. But this view depends on downplaying the scale of working age sickness. Nickell & Quintini (2002), for instance, characterised the high UK sickness level as an incidental "imbalance". However, they did not consider the geographical distribution of sickness or any other evidence on its direct relationship with unemployment. Evidence has steadily accumulated that at least a large part of the growth of working age sickness is a direct result of the relative worsening of unemployment as a status brought about by the hysteresis-inspired policy changes since 1986, aimed at addressing long-term unemployment. This evidence relates to the large numbers of people in all labour market statuses who have a potential sickness claim, the timing and geographical distribution of the changes in status, and the direct impact of benefit differentials (Autor & Duggan 2003, Boeri & Edwards 1998, Beatty et al. 2000, Webster 2002, Bell & Smith 2004). Bell & Smith now estimate that half a million men left the labour force during the 1990s primarily as a result of sickness benefit incentives. Like the behaviour of long-term unemployment itself, the shift of unemployed people into the status of sickness is a phenomenon which it should not have been difficult for economists to perceive. These people are simply responding to the incentives with which the system now presents them. In areas where it is difficult to get work, why should someone with a viable sickness claim stay unemployed, when sickness is both more attractive financially, and far more liveable in terms of freedom from pressure by the authorities? Once a claimant is on sickness benefits, movement into a job becomes far less likely.

Although the increase in long-term sickness represents an increase in long-term unemployment in a disguised form, it does not vindicate "hysteresis" theories. These theories were firmly based on the claim, refuted by the evidence presented in this paper, that excess and intractable long-term unemployment existed within the claimant or ILO unemployment totals. Consequently they led to the increase in the economically inactive sick for many years being overlooked. Only now are orthodox commentators starting to give due attention to the issue of unemployment disguised as sickness.

6. Conclusion

This story exemplifies many of the weaknesses of contemporary academic economics: lack of interest in geography or spatial analysis; pursuit of model-building for its own sake; lack of basic analysis of economic statistics, in spite of great proficiency in more complex techniques; uncritical adoption of analysis at a "macroeconomic" level without establishing the validity of the aggregates involved; ignorance of the real situations which ordinary economic actors face; and a bias against considering the role of demand in labour markets which appears to reflect an ideological stance harking back to polemics of the 1930s. Most fundamentally, there is a constant search for corroboration of the same narrow range of established hypotheses, rather than pursuit of the Popperian principle of falsification.

The practical consequences of the misinterpretation of Britain's long-term unemployment have been of the utmost seriousness. Not only have effort and resources been directed away from policies which would have addressed structural unemployment; but the policies actually adopted have led to the creation of what appears to be a real problem of the very type that the advocates of hysteresis theories thought they were addressing. There now really is a large pool of people, on long-term sickness benefits, who are going to be particularly difficult to get into employment.

Peter Mathias (1983) pointed out how the Benthamite Poor Law reform of 1834 sprang from a fundamental misdiagnosis, in which widespread poverty was thought to be due to workshy attitudes among the poor rather than to the disruption resulting from drastic economic change. It is sobering to think that a century and a half later, in spite of great technical development, economists should have made essentially the same mistake.

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FIGURE 1 GREAT BRITAIN: TOTAL AND LONG-TERM CLAIMANT UNEMPLOYMENT 1948-2003
(quarterly data, not seasonally adjusted)

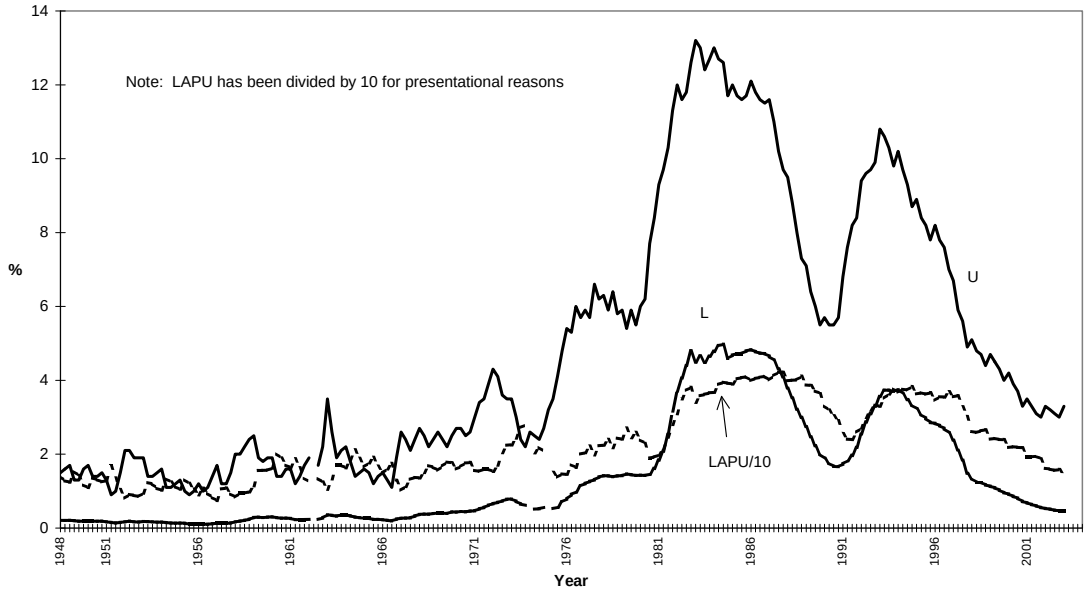


FIGURE 2 GREAT BRITAIN 1948 - 2003:
LONG-TERM BY TOTAL UNEMPLOYMENT 3 QUARTERS EARLIER
(quarterly claimant data, not seasonally adjusted)

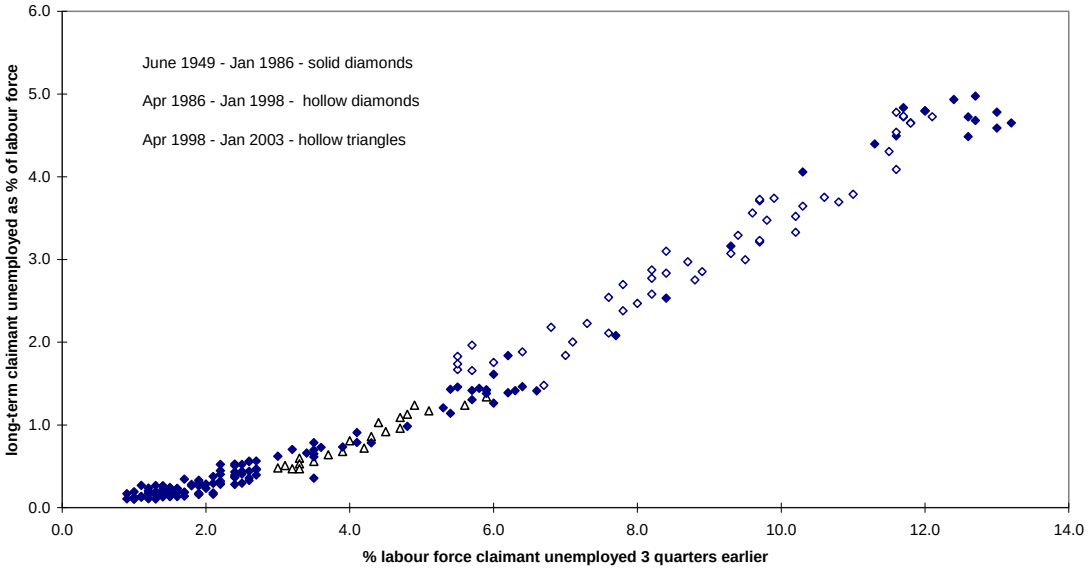


FIGURE 3 GREAT BRITAIN 1948-2003: LONG-TERM UNEMPLOYMENT BY SHORT-TERM UNEMPLOYMENT ONE YEAR EARLIER (quarterly claimant data, not seasonally adjusted)

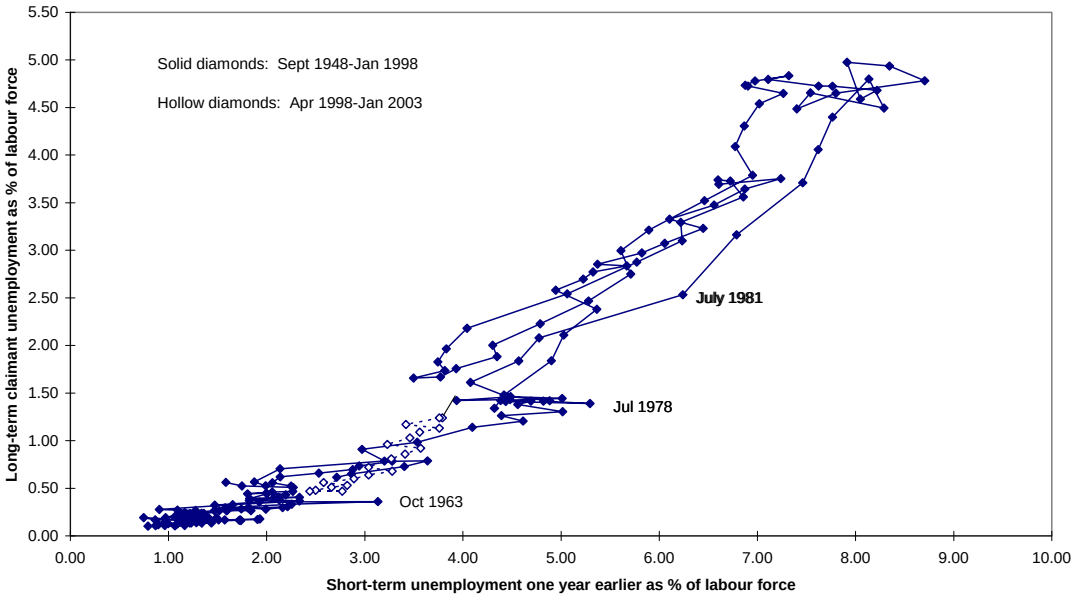


FIGURE 4 GREAT BRITAIN 1948 - 2003: LAPU BY U 6 QUARTERS EARLIER (quarterly claimant data, not seasonally adjusted)

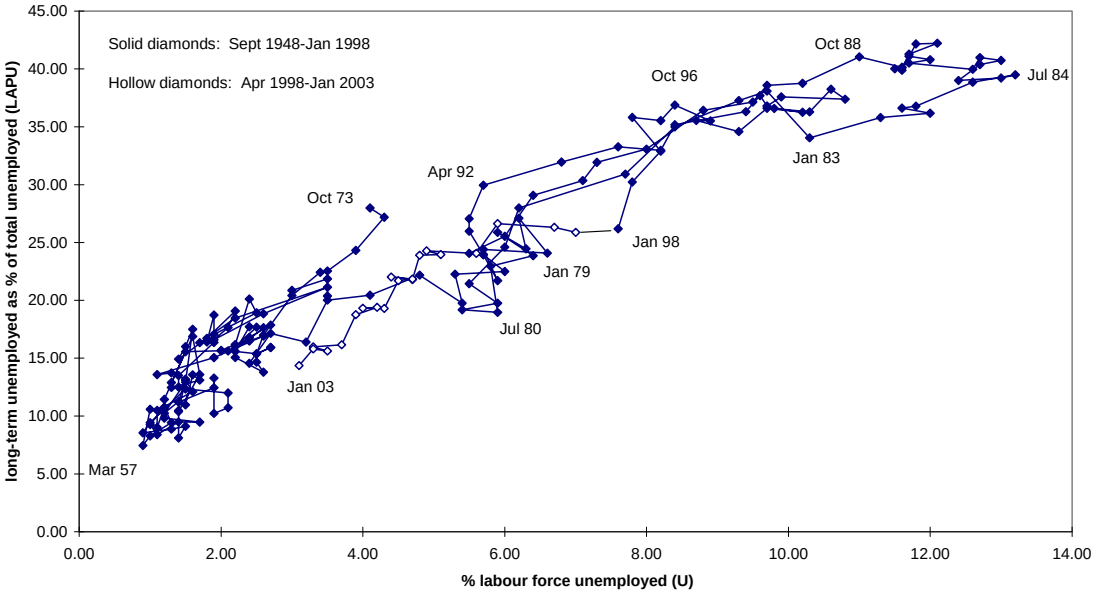


FIGURE 5 GREAT BRITAIN 1948 - 2003: LAPU BY U (unlagged)

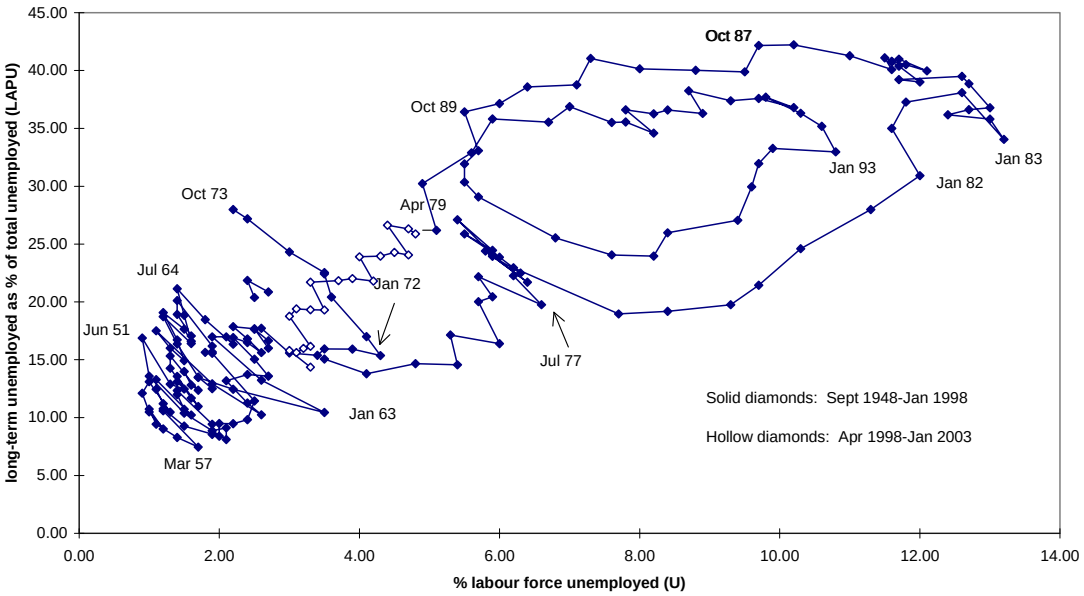


FIGURE 6 LONG-TERM UNEMPLOYMENT BY SHORT-TERM UNEMPLOYMENT ONE YEAR EARLIER
UK AND SWEDEN 1980-2003 according to OECD

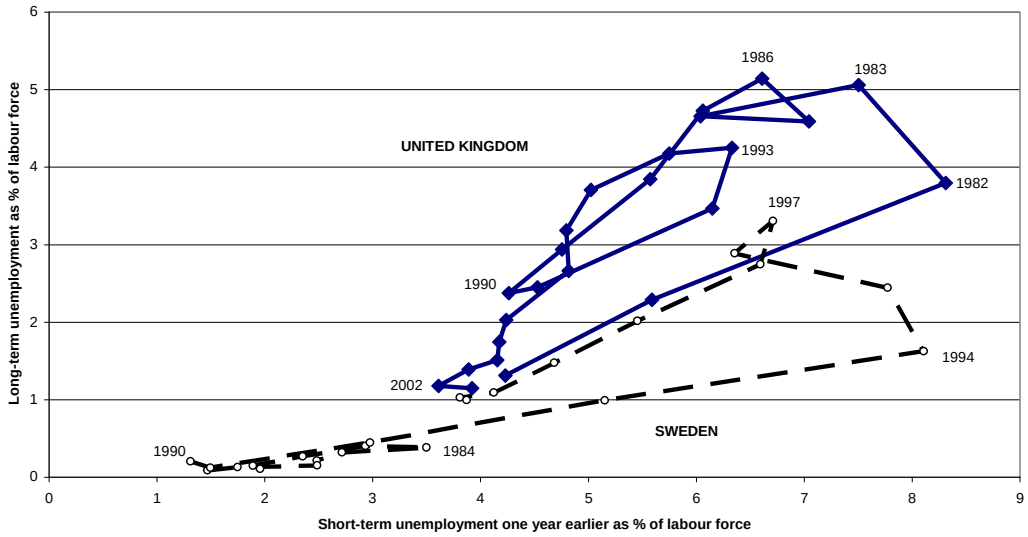


FIGURE 7 GB REGIONS: LONG-TERM UNEMPLOYMENT BY TOTAL UNEMPLOYMENT 3 QUARTERS EARLIER

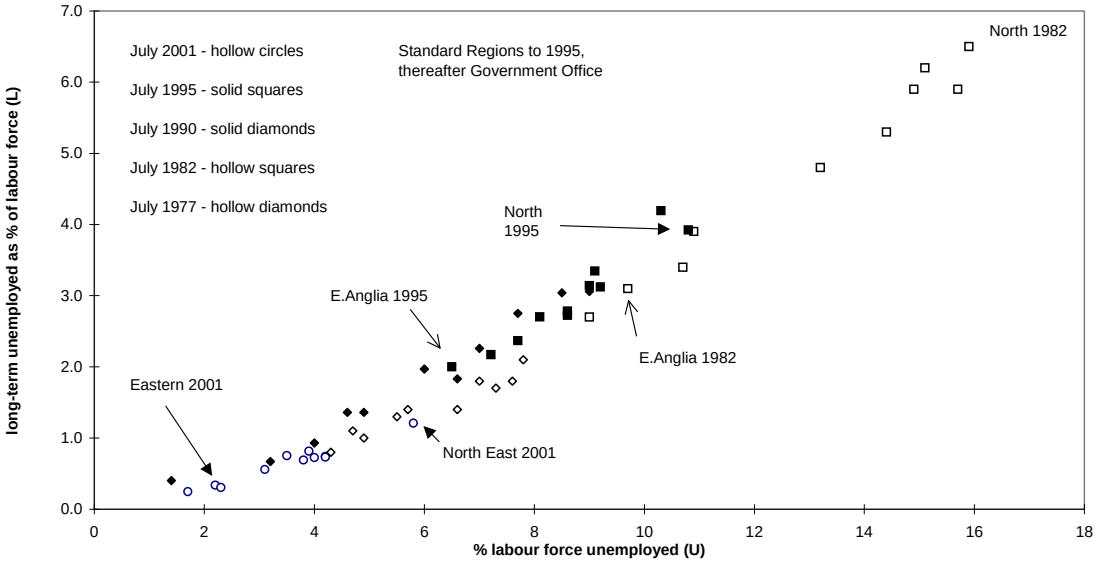


FIGURE 8 GB LOCAL AUTHORITIES: LONG-TERM UNEMPLOYMENT Jul 1984 by TOTAL UNEMPLOYMENT Oct 1983 (Census 1981 working age economically active denominator) with GB time series 1948-2003 (as FIGURE 2) for comparison

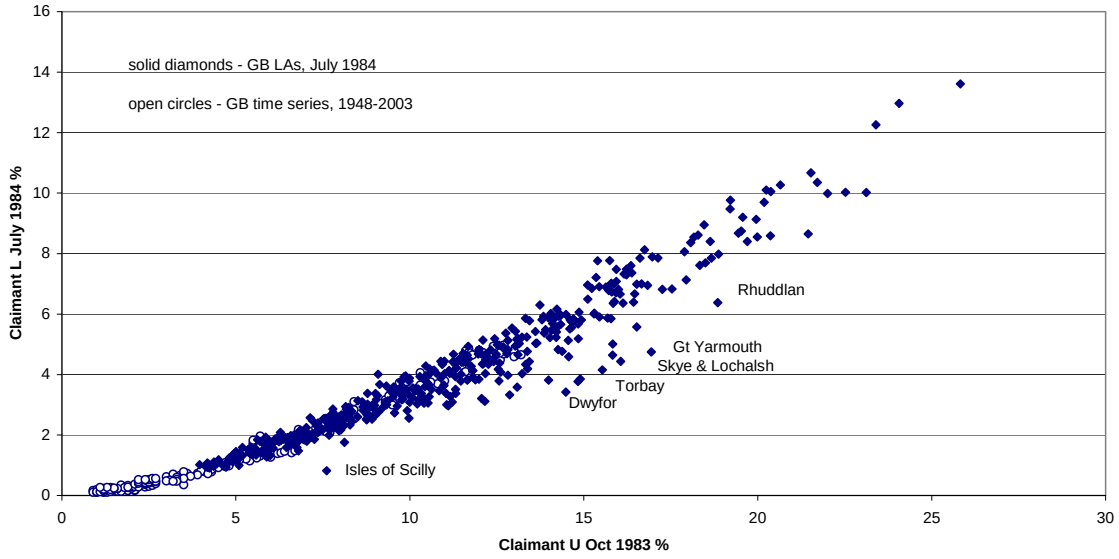


FIGURE 9 GB LOCAL AUTHORITIES: LONG-TERM UNEMPLOYMENT Jul 1996 by TOTAL UNEMPLOYMENT Oct 1995 (Census 1991/2001 mean working age economically active denominator) with GB LAs Jul 84/Oct 83 (as FIGURE 8) for comparison

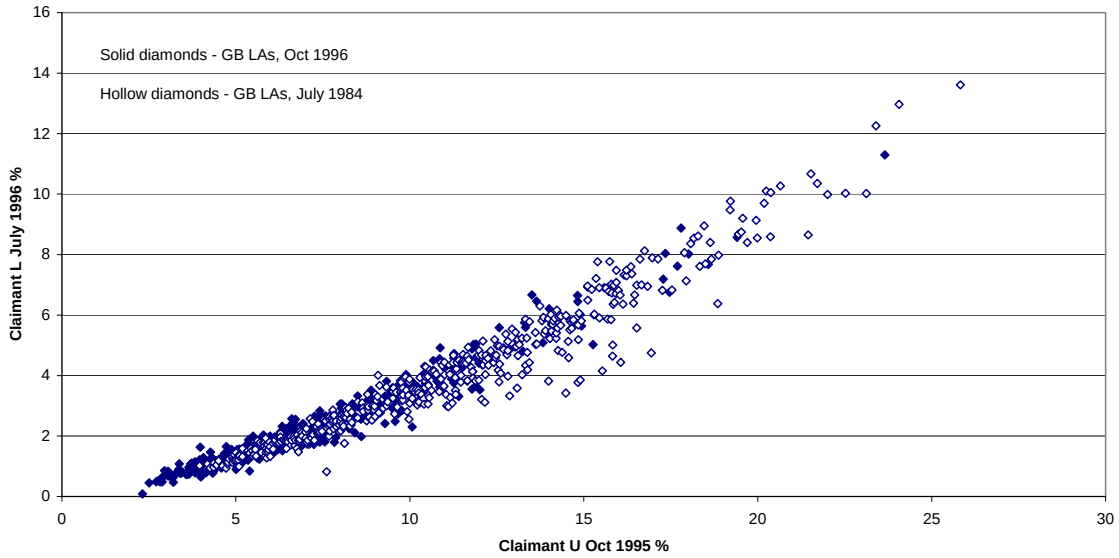


FIGURE 10 GB LOCAL AUTHORITIES: LONG-TERM UNEMPLOYMENT Jul 2001 BY TOTAL UNEMPLOYMENT Oct 2000 (Census 2001 working age economically active denominator) with GB LAs July 1984 (as FIGURE 8) for comparison

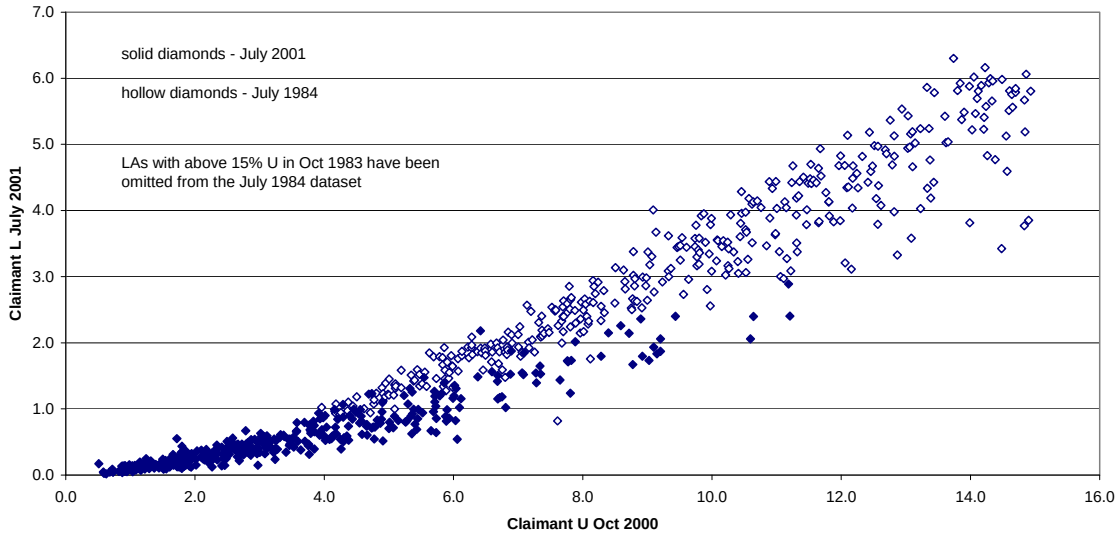
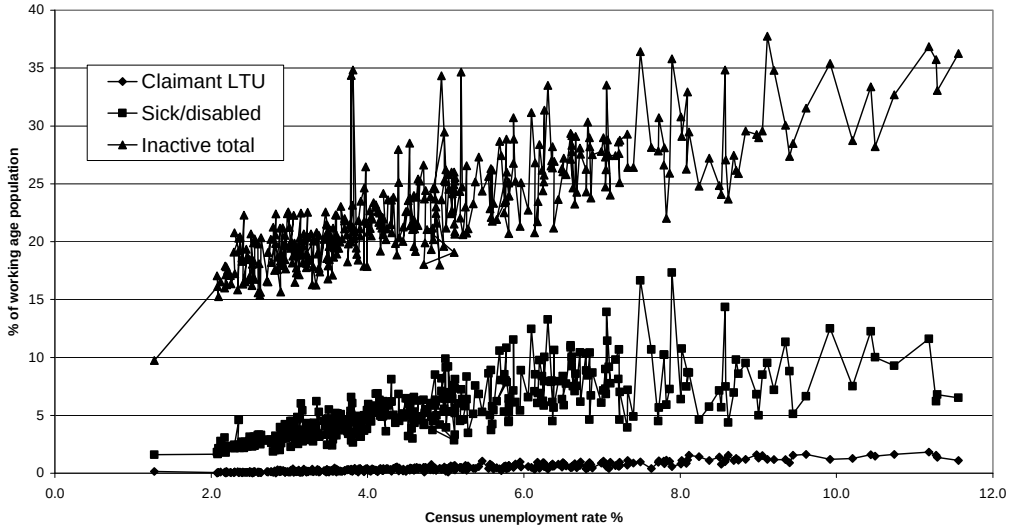


FIGURE 11 GB LOCAL AUTHORITIES, April 2001: LONG-TERM CLAIMANT UNEMPLOYMENT, SICK/DISABLED AND TOTAL ECONOMICALLY ACTIVE AS % OF WORKING AGE POPULATION, BY CENSUS UNEMPLOYMENT RATE



Paper 5
Employment change, housing abandonment and sustainable development: structural processes and structural issues

David Webster

Introduction

By means of systematic geographical analysis, this paper shows how the process of housing abandonment in Britain, which closely parallels that seen in the USA, is being driven mainly by blue collar job loss, largely from cities and coalfields. The resulting unemployment is causing people to migrate to places with better job prospects, leading to reduced housing demand in their home areas. Almost the only English local authority areas which have high unemployment but do not have a social housing surplus are seaside towns and West Central London. In these areas the impact of unemployment is offset by in-migration due to their attractiveness to particular groups of people. Analysis of private house price changes shows how local housing market processes reinforce the impact of blue collar nature of job loss to ensure that abandonment will occur mainly in social rented neighbourhoods rather than in the private sector. On grounds of environmental sustainability and practicability, it is argued that central government should not endorse abandonment by withdrawing investment from areas of low housing demand. Instead it is shown that the emphasis should generally be on rebuilding the blue collar employment base of low income neighbourhoods in the cities and coalfields.

The argument of this paper is that the recent upsurge in housing abandonment is mainly due to migration flows stemming from the loss of employment, and particularly manufacturing and mining jobs, from particular areas. It is argued that simply to attempt to accommodate housing to these migration flows is not the correct policy response. Practical considerations and the demands of environmentally sustainable development indicate that employment policy should promote the rebuilding of the blue collar employment bases which have been lost. This is not a romantic call for the restoration of a past economic era, but a sober proposition based on clear evidence that the loss of blue collar employment from the areas of housing abandonment has been disproportionate, that the land is there to accommodate its replacement, and that the obstacles to its location there are administrative, not economic.

Employment and population change and housing abandonment

Housing abandonment is by no means a new phenomenon, or unique to modern Britain. To take a very old example, there are more than 1,300 abandoned villages in England, dating from the period after the arrival of the Black Death in 1348 (Hoskins 1955). With up to one and a half million deaths, there simply were not enough people to populate them any more.

The closest parallel however - full of lessons for Britain - is the recent experience of abandonment in the 'rustbelt' American cities. Since the 1960s there has been a huge loss of blue collar employment from these cities in consequence of 'urban-rural manufacturing shift'. This is the term given to the movement of manufacturing operations to smaller settlements in response to their reduced dependence on proximity to railheads, increasing space requirements, and other factors. The process has been extensively charted for instance by the Kerner Commission (1968) and Kasarda (1989). While the cities' white collar employment has often grown, it has not generally sustained city neighbourhoods because the holders of these jobs tend to live outside the city and commute in. Drastic population loss has been the result, and housing abandonment has been widespread as an inevitable consequence. 'The steady outmigration of city-based industry is beginning to have a serious impact upon the economic and fiscal stability of the city... (whose) role as the source of a wide range of blue collar jobs is being increasingly challenged by the expanding suburban industrial parks....the inner city can no longer claim to be the traditional residence of the city-based blue collar and service workers. There has been a huge decline in the demand for housing in these areas' (Dear 1976).

Spatial employment trends in Britain have been similar, though occurring rather later. Urban-rural manufacturing shift here has been well charted by authors such as Keeble (1980), Fothergill (1989), Townsend (1993) and Gudgin (1995). The process was discernible in the 1950s and accelerated in the 1970s, being recognised in the previous Labour Government's landmark Inner Cities White Paper of 1977 (Department of the Environment, 1977). It has been at its height since 1979. Most big cities in Britain have lost two-thirds of their manufacturing jobs since 1979, compared to a national loss of around a third. There is a close association between manufacturing on the one hand and blue collar (manual/personal service) jobs on the other. In the 16 largest cities outside London, the loss of blue collar jobs in 1981-91 ranged from 12.8 per cent in Leeds up to 39.7 per cent in Liverpool, with Glasgow and Manchester losing approximately 30 per cent. At the same time, all these cities except Liverpool saw white collar job gains, ranging up to one-third. Blue collar job loss has led to geographically concentrated unemployment, and this in turn has caused people to migrate out to places with better employment prospects, leading to reduced demand for social housing, and higher voids, in their areas of origin. A similar process has occurred in the coalfields, where coalmining jobs fell from 219,000 in 1981 to 11,000 in 1994 (Beatty *et al.* 1997b).

In a growing number of areas, starting notably with Knowsley at the end of the 1970s and Glasgow in the mid-late 1980s, the concentrations of voids leading to the demolition of whole neighbourhoods do now merit the American term 'abandonment'. This is not the same as the problem of 'difficult to let' housing widely recognised much earlier. In their authoritative study (1981) of this latter problem the Department of the Environment researchers were quite clear (p.1) that 'In most cases the problem was not that estates had numbers of unfilled vacancies but that they were unacceptable to applicants at the top of the waiting list....The term ('difficult to let') is misleading therefore in that such estates may be easy to let, but only to households in need of immediate rehousing who cannot afford to wait'. There is a clear difference between this earlier situation - where estates were lettable but less preferred - and the circumstances reported now, where they cannot be let at all, even when newly built or refurbished.

Low housing demand in Britain: a statistical analysis

The connections between job loss, unemployment and falling social housing demand can be demonstrated quantitatively for the 90 English authorities estimated by Bramley (Paper 2, Table 2.4) to have had a social housing surplus in 1997. Estimated surplus is a direct measure of low demand. It is more reliable than any attempted direct measure of abandonment, which is difficult to define objectively. It is affected by variations in the extent of previous demolitions in each area, Glasgow for instance having demolished some 20,000 council dwellings to date, more than one-tenth of its 1981 stock, while many others have demolished few or none. But it is a better measure than voids which are affected both by demolitions and by a number of other factors besides (Murie *et al.* 1998).

Because the underlying process has such a strong intra-regional dimension, i.e. urban-rural, rather than inter-regional, it is essential to analyse it at district rather than regional level, and Bramley's calculations allow this to be done.

Bramley's list includes every district in the metropolitan counties of Tyne & Wear, West Yorkshire and South Yorkshire, and most of those in Greater Manchester, Merseyside and the West Midlands, together with all of Teesside, urban Lancashire and West Cumbria, much of Humberside and north Staffordshire, individual industrial cities including Nottingham, Leicester and Derby, and three east London boroughs. Of the 28 coalfield districts as defined by Beatty *et al.* (1997b) whose male job deficit worsened in 1981-91, no less than 21 appear in Bramley's list. Taken together with Glasgow, Dundee and Clydebank in Scotland, and Swansea in Wales, all of which are known to have social housing surpluses, this is a rollcall of older industrial and coalmining Britain - the areas economically devastated in the Thatcher years.

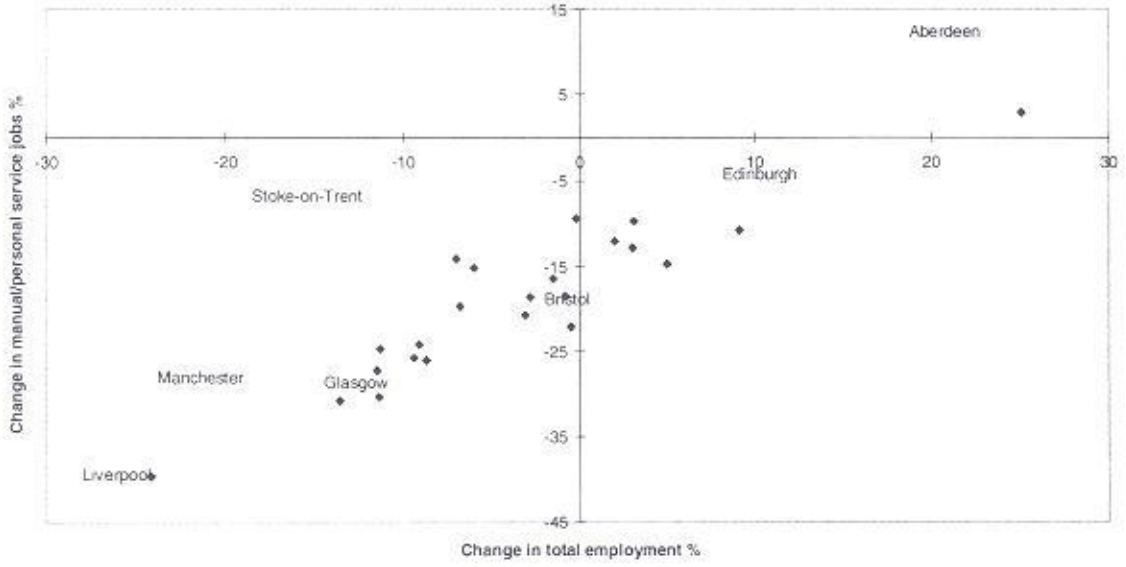
Of these 90 authorities, almost two-thirds (56) had job growth below the GB average between 1981 and 1995, and 51 had actual job losses. The job losses were often very large, ranging up to 38.6 per cent in Knowsley and 41.8 per cent in Easington. Changes in the structure of employment have been such that an area with an unchanged job total has typically seen around a 15 per cent fall in blue collar jobs, and a shift to part time working, so that the impact on full-time blue collar jobs has been greater than the overall figures suggest. Employment change by SEG is available only from the Census Workplace statistics. It has not been possible to undertake comprehensive calculations of the changes in employment base by SEG in 1981-1991 for all of Bramley's list, but examples of the losses of manual/personal service jobs and the change in total employment are given in Table 5.1 overleaf. The following figure (Fig. 5.1) shows the closeness of the relationship between blue collar and total job loss across areas. Glasgow's loss of blue collar jobs was actually larger in absolute terms than that in the whole of the rest of Scotland.

The consequence of such large job losses has been high unemployment. Unfortunately the official unemployment statistics do not give an accurate picture because (as the Treasury and DSS accept) there has been a large movement of unemployed people on to what is now called Incapacity Benefit, and because ONS's 40-year old methods introduce severe biases and distortions (Webster 1998). However, Beatty *et al.* (1997a) have produced estimates of 'real' unemployment for all local authority areas, correcting for the various distortions. These show that high unemployment resulting from job loss is associated with low social housing demand.

Table 5.1
Job losses and changes in total employment 1981-91

Area	Losses in manual/personal service jobs	Changes in total employment
Manchester	-30.8%	-13.6%
Coventry	-27.2%	-11.5%
Sheffield	-25.8%	-9.4%
Birmingham	-25.2%	-9.1%
Newcastle-upon-Tyne	-24.7%	-11.3%
Leicester	-19.7%	-6.8%
Nottingham	-18.6%	-2.8%
Derby	-18.5%	-0.8%
Hull	-15.2%	-6.0%
Stoke-on-Trent	-14.1%	-7.0%
Leeds	-12.8%	+3.0%
Bradford	-12.0%	+2.0%
Middlesbrough	- 9.7%	0.031

Figure 5.1
British cities: change in manual/personal service jobs by change in total employment 1981-1991



Of Bramley's 90 surplus authorities, 65 had real unemployment at January 1997 higher than the GB average of 14.2 per cent. Their average social housing surplus was 9.0 per cent. The remaining 25 authorities had real unemployment below 14.2 per cent; their average surplus was only 3.7 per cent. Another way of looking at the figures is to consider that of the 158 authorities with real unemployment below 10 per cent in 1997, only four (2.5%) had a social housing surplus, the largest surplus being 2.3 per cent. But of the 208 authorities with real unemployment 10 per cent or above, 86 (41.3%) had a surplus, ranging up to 28 per cent. (See Figure 5.2, overleaf)

Inspection of the 51 authorities which had real unemployment above the GB average but no estimated social housing surplus tells an important story. Of these authorities, almost three-quarters (37) were coastal areas, mainly in the South, while almost all the remaining quarter (11) were London boroughs. In both cases, a surplus will have been prevented mainly by in-migration[1].

The coastal areas tend to receive in-migration by people retiring, by commuters, and, almost certainly, by some unemployed people attracted by the pleasant environment and the availability of furnished rented accommodation (with housing benefit payable) due to the decline of tourism. There is firm evidence for the North West that landlords have advertised for unemployed tenants as far away as Scotland, asking 'whether the reader would not prefer to be 'on the dole at the seaside' ' (Kennedy 1993). Among these coastal areas, the ports (Great Grimsby, Portsmouth, Southampton, Plymouth and Bristol) had net outmigration in the period 1981 to 1996, but all the others had population gains by migration of at least 3 per cent, with 16 in double figures and ranging up to 21 per cent in Southend and Torbay, 24 per cent in East Lindsey, and 33 per cent in Bournemouth (OPCS/ONS 1993, 1997).

The Right to Buy will have contributed to the scarcity of social housing in these areas: Murie (1989) noted that the proportion of stock sold has been highest in shire districts in the South. Further analysis of Murie's data set updated to 1995 shows that an average of 31 per cent of council stock had been sold in these coastal areas compared to 27 per cent in the 90 areas with a social housing surplus[2].

London's loss of blue collar jobs in manufacturing and transport has been worse than that of any other British city and is the fundamental cause of its huge unemployment problem. It lost almost one million - three-quarters - of its manufacturing jobs in 1960-91 (Gudgin 1995). But London receives a great deal of in-migration for a variety of reasons, including its roles as 'global city', which leads to in-migration from overseas, and as 'job escalator' (Fielding 1993), which helps to explain its net inflow of unemployed people

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[1] Beatty *et al.*'s 'real' unemployment estimates were made for the month of January. Some of the coastal areas shown as having above GB average unemployment for this month of the year might not be above average on the basis of mean annual unemployment. An exact analysis is not possible, because the only available series is for 'Travel-to-Work Areas', whose boundaries normally do not coincide with those of local authorities, and is for claimant unemployment only. But on reasonable assumptions, only 7 of the 37 coastal areas - Alnwick, East Yorkshire, Holderness, Dover, N.Cornwall, Torridge and West Somerset - would drop out of the list if it were constructed on a mean annual unemployment basis. Details are in a further paper in preparation, available from the author.

[2] The figure for average council house sales for the coastal areas has been calculated after omitting the 7 areas listed in note (1) and also the Isle of Wight and Penwith for which comparable figures are not available due to the total transfer of stock to housing associations.

Figure 5.2 **Real unemployment and social housing surplus 1997**

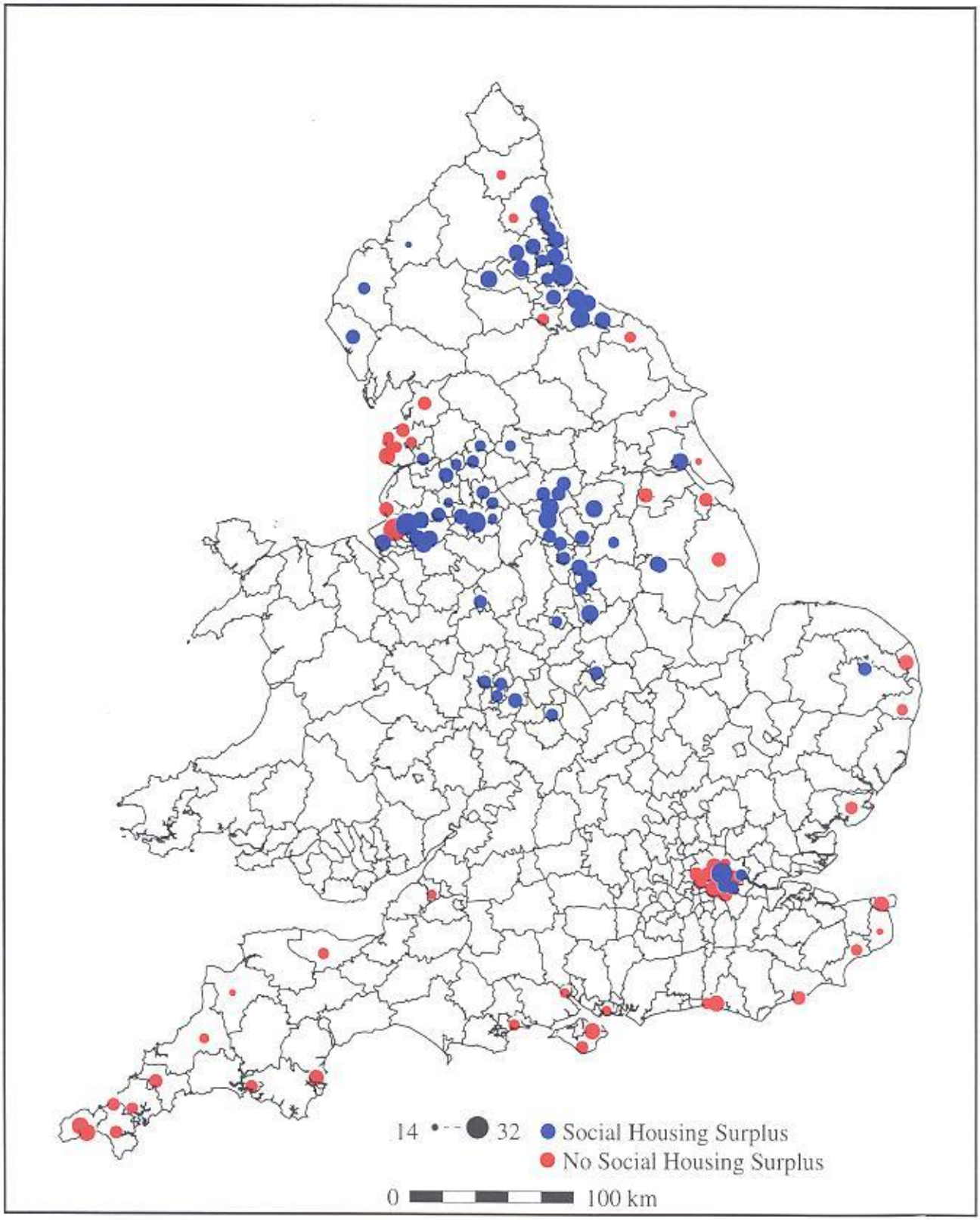


FIGURE 5.2 shows all the English local authorities with real unemployment above the GB average in January 1997. The size of the circles is proportional to the real rate of unemployment, on a scale from 14% to 32%. Local authorities with a social housing surplus are shown in ~~red~~ blue and those with no social housing surplus in ~~blue~~ red.

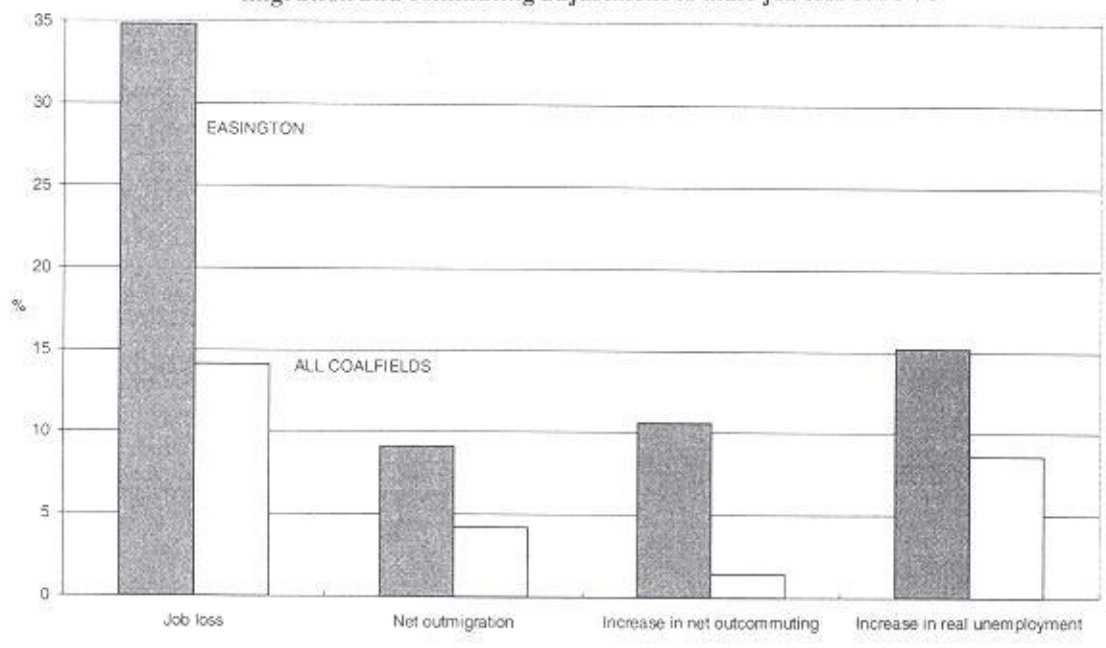
(Gordon 1995). These inward migration flows create heavy competition for housing space, offsetting the effect of job loss. There is also strong pressure on space and house prices from buoyant service uses, especially in the West.

Outmigration and social housing demand

For the coalfield districts, the effect of unemployment in producing outmigration can be demonstrated directly due to the work on 'labour market accounts' of Beatty *et al.* (1997b). On average in 1981-91 these districts had a worsening in their job deficit equivalent to 14.1 per cent of their male labour force, and lost 4.2 per cent of their labour force through migration. Outmigration was significantly correlated (0.47) with job loss: the greater the job loss, the larger the outmigration. Thus the worst affected district, Easington, which lost the equivalent of 34.8 per cent of its male jobs, had particularly heavy outmigration, at 9.1 per cent, and has had a particularly serious abandonment problem (Bright 1994). (See Figure 5.3)

Once again it is instructive to consider the exceptions: those coalfield districts which had a net loss of jobs but no estimated social housing surplus. In order of size of job loss, these were Alnwick, Gedling, S.Derbyshire, Castle Morpeth, N.W.Leicestershire, N.Warwickshire, Nuneaton & Bedworth and Dover. This is a strikingly rural list. In these areas the impact of job loss on migration and hence on social housing demand has been outweighed by a more general urban-rural population shift. Of these 8 districts, two (Alnwick and S.Derbyshire) had net in-migration, four had net outmigration of less than one per cent and none had net outmigration as high as the coalfield average.

Figure 5.3
England and Wales coalfields:
migration and commuting adjustment to male job loss 1981-91

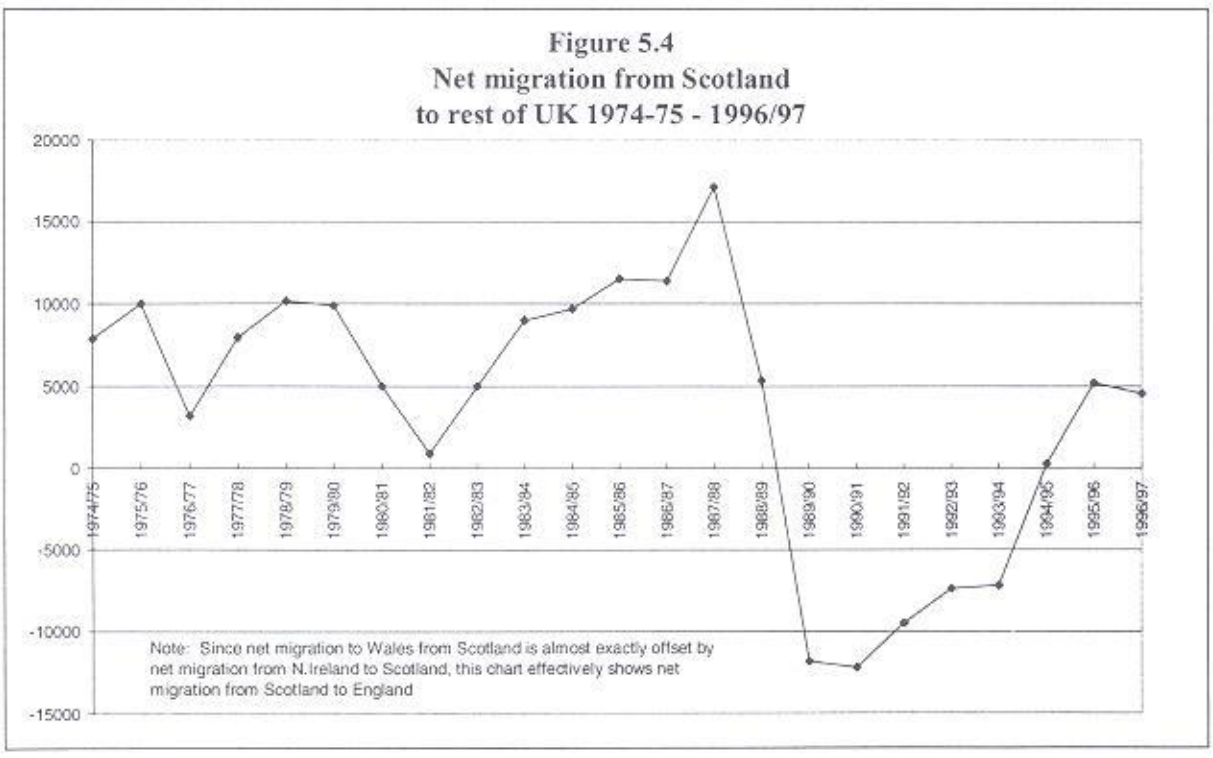


Cyclical variation in migration flows and housing abandonment

It has been suggested (Kochan 1998) that the recent rise to prominence of the abandonment issue could be due to a greater willingness by local authorities to disclose it, following the change of government in May 1997. But a simpler explanation is that the problem really has got sharply worse in the last few years, due to an upsurge in outmigration from northern industrial areas as the economy has revived, particularly in the South, coinciding with general shrinkage of the important 20s age group and the levelling out in 1995 of the growth of lone parenthood.

Studies have consistently shown that inter-regional migration is strong only during booms, when employers in another region are actually hiring (Jackman & Savouri 1992). The recent experience of Greater Glasgow reflects this. There has normally been substantial net migration from Greater Glasgow to England, averaging 4,130 per year from 1974/75 to 1989/90 and peaking at 5,550 in 1987/88, at the height of the Lawson boom. But during the recession years between 1990/91 and 1993/94 the flow fell and actually reversed, to an average of 140 per year in the other direction. During the recent recovery from 1994/95 onwards, the flow has once again changed direction, rising to 2,600 in 1996/97. What is true of the West of Scotland is also true of the North of England, with net inter-regional outmigration rising from 8,000 in 1992 to 22,000 in 1996. In other words, during the early 1990s abandonment was not so evident because people were trapped in the areas of highest unemployment by the recession. In the recovery years they have been moving out, leaving social housing voids behind them. (See Figure 5.4)

Figure 5.4
Net migration from Scotland to rest of UK 1974-75 - 1996/97



Urban-rural population shift due to residential preference

While these statistical analyses in terms of employment change and real unemployment indicate that job loss is the most important factor in social housing abandonment, they also show that it is not the only factor. There is an urban-rural movement of population which is independent of employment change. In the case of most of the cities, this amplifies the effect of job loss in causing abandonment. But in the case of rural and coastal areas, it mitigates it. London, as in so many respects, is a special case, being the only big city where residential attractiveness generally outweighs job loss - although even here Bramley identifies three boroughs, Hackney, Greenwich and Barking & Dagenham, where heavy job loss (respectively 16.6%, 25.0% and 32.8% in 1981-95) has not been offset by residential attractiveness.

As housing demand falls in an area due to declining employment, the response in the private sector is likely to be primarily in the form of a fall in house prices rather than abandonment as such. Murie *et al.* (1998) present evidence on low value private sales in 1995-97. Of the 47 postcode sectors in England with the most low value sales (up to £20,000), all but 6 coincide with Bramley's social housing surplus authorities. For 1997/98, with migration flows at full swing, the relationship extends to house price changes also. Dwelly (1998) presents evidence from the Land Registry on average sale price changes by local authority district, January 1997 - January 1998. Of his 9 English 'trouble zones' with the largest falls in house prices, 6 also appear in Bramley's list. Using his full data, of the 44 local authorities with price falls in 1997-98, half are in Bramley's list, compared to only one fifth of the 334 which had price rises.

Although the main effect of declining demand on private housing is seen in price falls, abandonment does occur in the most extreme cases. An example is Seedley and Langworthy, an area of mainly owner-occupied terraces in Salford (The Guardian, 16/9/98; Social Exclusion Unit 1998, p.27), and also in Newcastle and Manchester.

The neighbourhood level

The connection between job loss and housing abandonment holds at the neighbourhood as well as the district level. For Cleveland, Ohio, the connection between manufacturing job loss and housing abandonment can be traced particularly closely, in papers by Hill & Bier (1989) and Wilson *et al.* (1994). The former, a classic paper, showed that the neighbourhoods which fell into poverty were those where the workers lived whose jobs were lost. Five years later, Wilson *et al.* charted the location of housing abandonment. Comparison of the maps in the two papers shows an almost exact correspondence between the areas with high proportions of 'operators, fabricators and labourers' - those whose jobs went - in 1980, and those with high proportions of abandoned houses in 1990. Similar analyses of the spatial pattern of neighbourhood decline in relation to employment change, although without the linkage to housing abandonment, are available for Teesside and Sheffield in Byrne (1995) and Lawless (1995).

This is the basic process underlying the occurrence of neighbourhood abandonment of social housing in Britain. As already noted, it is blue collar jobs that have gone, while white collar jobs have grown. Since blue collar workers have been more likely to live in council housing, this alone has ensured that abandonment would tend to show up in this tenure, while increases in white collar jobs have tended to sustain areas of owner occupation, and even to promote 'gentrification' in many areas.

The falls in private house prices in response to outmigration from an area will tend to exacerbate the local fall in demand for social housing, thus further concentrating abandonment there. This is suggested by Dwelly (1998) for Halton, Cheshire and by Turney (1997) for Bury and Blackburn. It may happen either through direct sales to former social housing tenants, or through houses being put into private letting and then attracting tenants from the social housing sector. The huge real rise in social housing rents under the Conservative governments from 1979 to 1997 has increased pressure on tenants to move to owner occupation if they can afford it. Similarly the availability of Housing Benefit has encouraged moves to the private rented sector. Hal Pawson (Paper 3, Figure 6) shows council tenant moves to private renting doubling after 1994.

A number of other processes come into play to concentrate social housing voids into particular neighbourhoods. There will be a tendency for the less desirable houses to show the highest void rates, desirability being in terms of features of the houses (age and condition, design, security) or location (remoteness from shopping centres, schools etc.) or, perhaps most important, the social characteristics of the neighbourhood. High unemployment tends to lead to more crime (Social Exclusion Unit 1998; Wells 1995), less popular schools, and (less widely acknowledged but well-established) breakdown of family structures (Webster 1997). The shift to owner occupation has also been strongest among two-parent families, hitherto the backbone of many neighbourhoods. All of these changes tend to weaken social housing neighbourhoods. Finally, a high level of voids in itself destabilises a neighbourhood and tends to become self-propagating, by worsening natural security, lowering environmental quality, and directly inconveniencing neighbours (especially in flats) by raising heating costs and increasing the incidence of plumbing failures, fires and damp penetration. Massey & Denton (1993, p.132) quote US evidence that the threshold of neighbourhood stability occurs at remarkably low percentages (3%-6%) of boarded-up structures. A well-functioning neighbourhood simply does not have noticeable voids.

In looking at the relationship between employment change and housing demand at neighbourhood level, it is important to realise how local is the employment base of most housing neighbourhoods. Unfortunately the Social Exclusion Unit's report on Neighbourhood Renewal (1998), while recognising housing abandonment as an integral part of the process of neighbourhood decline, and the importance of unemployment in a general way, does not attempt to analyse the employment base of the estates it considers, or what has happened to it.

Taking the example of Easterhouse in Glasgow, one of the Social Exclusion 'Pathfinder' estates, 84 per cent of residents work within 6 miles - roughly the same proportion as the average for all employed people in Scotland (Glasgow Regeneration Alliance 1994; Webster 1994). Within this 'employment field', almost half (45%) of all manufacturing jobs were lost, and approximately 30 per cent of blue collar jobs, between 1981 and 1991. With job losses on this scale, it is really not surprising that the area's population should have almost halved, and more than one-third of its social housing stock been demolished, since 1981. It is the job losses that have been driving change in the area.

The issue of local employment arises in relation to another Glasgow estate discussed by the Social Exclusion Unit. It points to Castlemilk's Urban Partnership as an example of 'what works', citing the drop in claimant unemployment since 1989 from 22 per cent to 10.6 per cent, close to the Glasgow average. These figures look less good when it is realised that in August 1998 Castlemilk's claimant unemployment rate remained double the Scottish average, just as in 1989, and that claimant unemployment figures do not

take into account the large movement on to Incapacity Benefit since 1989. Despite many other improvements, welfare dependency in Castlemilk remained at 62.3 per cent of households in August 1997, the fifth highest in Glasgow at postcode level, and almost three times the average in Scotland outside Glasgow of 24 per cent. The real lesson would appear to be that an estate's levels of employment - and thus its ability to retain population - are not going to improve unless more jobs become available within its employment field. In line with the theories on which it was based, the Partnership did not attempt to promote any substantial number of additional jobs.

Policy responses: local government

In the first instance it falls to local authorities to deal with abandonment. Given that some demolition is usually unavoidable once demand has fallen, it is essential to manage the process through proactive clearance. First, to prevent the damaging effects of high voids from spreading across too much of the housing stock, thus undermining otherwise stable neighbourhoods, and to prevent sudden catastrophic decline, as appears to have occurred in Benwell, West Newcastle, in 1993, as Paul Keenan has described. Second, to ensure that abandonment and demolition are put to positive effect, by eliminating the worst housing stock (thus contributing to quality improvement overall), and/or by contributing to the assembly of worthwhile sites for new uses essential to modernising the city, such as industry, commerce, transport or private housing. This requires close liaison with planning and economic development departments and agencies, Housing Associations, private developers and house builders, Building Societies, and of course with tenants.

Policy responses: central government

Given that the problem is caused mainly by spatial employment change at a countrywide scale, it cannot be resolved by local action alone. There are only two broad national policy options:-

Option 1 : Endorse abandonment

The movement of people out of the abandoned areas could be accepted, investment there halted, and the estates demolished. Meanwhile, social housing investment resources would be transferred to areas of employment growth. This is apparently being seriously considered by the Housing Corporation (Kochan 1998). The Social Exclusion Unit's National Strategy for Neighbourhood Renewal also does not appear to envisage that action will be taken to improve the employment base of the declining areas. Some economists think that the private rented sector should be promoted in order to bring about the required relocation of population. These include not only academics (e.g. Muellbauer & Cameron 1998), but HM Treasury itself (1997, para.55).

The idea of endorsing abandonment is open to a number of objections. First, it is very expensive for the public sector. Demolishing property is costly: Glasgow has spent over £70m on it already and currently spends more annually on demolition than on special needs housing. The city's annual loan charges on demolished houses already amount to £26m. The Empty Homes Agency (1998) recently estimated the costs of defending and dealing with social housing voids at over £400m a year in England. Other costs

show up in underuse of social capital such as schools, health centres, public transport etc., and in the continuing burden of managing these deprived areas. Meanwhile, much if not most of the infrastructure cost of greenfield development in growing areas falls on the public sector, as does much of the cost of new housing provision whether in the social or private rented sector. More important than the financial costs are the human costs of the whole process of neighbourhood decline of which housing abandonment is an integral part.

The spatial implications are also unacceptable. This approach runs entirely contrary to the need to 'bring people back into our cities, towns and urban neighbourhoods' (Urban Taskforce 1998) to which the Government is committed in the cause of sustainable development - now an overriding imperative in view of the threats posed by global warming and resource depletion. In much of England, it has also become a political impossibility due to the fierce resistance to building on more of the countryside. Britain's imitation of the USA's example of profligate suburbanisation is unrealistic, given that we have only one ninth as much gross land area per person. The debate over SERPLAN (Inside Housing, 4/9/1998, 18/9/1998) has revealed an unwillingness to fund the necessary social housing construction. Finally, the analysis earlier in this paper has shown that most of the places which have a combination of high unemployment and in-migration are seaside towns, where it may not make sense to attempt to promote employment and endorse further population growth through social housing construction.

Option 2: Reverse the decentralisation of employment and population

For these reasons, the realistic response to abandonment is so far as possible to rebuild the employment bases of the declining neighbourhoods. This is more readily practicable than is usually assumed. Because of the intimate relationship of housing abandonment to employment loss, in most cases there is plenty of derelict land available for new industrial development. For instance, in 1997 Glasgow had almost one tenth of its land area vacant or derelict. In itself, reclaiming derelict sites normally contributes to environmental goals, by removing or capping pollution and cleaning watercourses. Where this land is insufficient, urban fringe development is often possible on sites such as the redundant airfields of Nissan (Sunderland) and Speke (Liverpool), Birmingham's Peddimore and Newcastle's Newburn Haugh.

Some economists have argued that manufacturers do not want to locate in cities, but this view is now difficult to defend. Fothergill *et al.* (1985) showed that it is shortage of sites, not uncompetitiveness of the location, which has caused the disproportionate loss of manufacturing from the cities. Many examples during the 1990s have proved that manufacturers will move to cities if the sites are available. A striking recent case is the closure of Viasystems' two electronics plants in the Scottish Borders in favour of a new plant on the urban fringe; and Balliol Business Park, jointly developed by Newcastle and North Tyneside councils.

In spite of the widely held view that the future lies in services, it is the location of manufacturing which is the key to employment growth. Gudgin (1995) shows that regional employment change in 1971-93 has been very closely related to change in the export sector of the local economy, and that in every region except the South East this export sector is dominated by manufacturing.

Obstacles to an effective national response

Unfortunately, there are some important obstacles to developing the coherent urban and regional policy which is needed to deal effectively with housing abandonment.

As noted earlier, lack of a modern set of local unemployment statistics leaves most participants in the debate without an accurate conception of the geographical distribution of unemployment and therefore of the linkages between employment change, unemployment and the resulting problems of which housing abandonment is one. A prominent recent victim of this statistical fog was the Secretary of State for Employment, David Blunkett (Inside Housing, 11/9/98), who suggested that empty social rented homes should be used to rehouse jobseeking migrants, apparently unaware that they are in the wrong places. Reform of ONS's system of local unemployment statistics is therefore essential to provide a firm foundation for policy in this and related areas.

Two powerful paradigms condition the interpretation of the abandonment issue in an unhelpful way. The first is that of managerial efficiency, which has inspired initiatives such as the revamped Audit Commission, league tables, CCT, Best Value, and the proposed Housing Inspectorate. Whatever its other merits, this type of thinking tends to define 'performance' in terms of operational rather than strategic management, and service delivery rather than development. In relation to low demand, it has led to a presumption that agencies with high voids must be mismanaging them, to a failure to perceive the geographical structure behind the problem, and (despite talk of 'joined-up thinking') to a lack of recognition of the relationships between housing and non-housing issues such as employment.

The other dominant paradigm is that of neoclassical economics. Despite its many valuable uses, this tends systematically to direct attention away from spatial issues. It has created a presumption that job losses in a particular place should not lead to any long-lived unemployment or housing problems, because the displaced workers should quickly migrate or commute to somewhere else and the market should smoothly arrange new uses for abandoned neighbourhoods where necessary. The long-lived devastation of the American cities gives the lie to this type of thinking, but it has remarkable appeal. The same type of thinking has led to unemployment being conceptualised as a 'supply-side' problem - of people being unable or unwilling to work - rather than as a consequence of loss of jobs in particular places from which people are unable to move. Hence the lack of provision in the New Deal (including the New Deal for Communities) for actually promoting new jobs on a significant scale. The reality is that all the workless groups targeted by the New Deal for placement into work tend to be concentrated in the same places where jobs are scarcest (Turok & Webster 1998). Finally, this type of thinking underlies the current structure of public and private rental housing subsidies, which is bound to empty out social housing in areas of high unemployment and low housing demand.

An effective Central Government response to the linked problems of geographical employment change and housing abandonment would have to include a review of subsidies on rental housing to stop financing the movement of social housing tenants to the private rented sector in circumstances where social housing is available. This would mean lower social housing rents.

But the central requirement is action to rebuild the employment bases of declining neighbourhoods. The Coalfields Taskforce Report (1998) does in fact point in the direction suggested by the analysis in the

present paper: towards greatly increased expenditure on derelict land reclamation and industrial and transport infrastructure. But its strategy is not being well-funded - the English coalfields are eligible for only a small share of £133m of annual Single Regeneration Budget funding over the next 3 years. And there is currently no parallel strategy for the cities. Although the Social Exclusion Unit's Action Team 7 on low demand and neighbourhood abandonment will report on 'how to align the forecasts and strategies underpinning local housing, economic development and land-use planning decisions', there is no cross-reference to the work of the Coalfields Taskforce, or to Lord Rogers' Urban Taskforce, which is charged with rebuilding the population of the cities. One can only hope that as the Social Exclusion Unit's work proceeds, the importance of the local employment base will be recognised.

The views expressed are not necessarily those of Glasgow City Council. The author is most grateful to Tim Dwelly of Roof, Professor Alan Murie of the University of Birmingham, Professor Glen Bramley of Heriot-Watt University and Fergus Cooper of Glasgow City Council for generous help with access to data.

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Economic PERSPECTIVE

THE POLITICAL ECONOMY OF SCOTLAND'S POPULATION DECLINE

by David Webster*, Glasgow City Council

The population of Scotland is declining, both absolutely and relatively to the rest of the UK. Decline in the Scottish population relative to the rest of the UK is not new. In fact it has been continuous at least since 1851. But a prolonged period of absolute decline such as we are currently seeing is new; the only significant previous decline was by a rather small 40,000 in the 1920s. Since 1974 there has been a fall of about 100,000 and the decline is now projected to extend into the foreseeable future, accelerating after 2020.

There are several reasons why this is a public policy issue. First, there is clear evidence that continuing population decline is due to the failure of the Scottish economy to offer reasonable opportunities to a large section of the population, and that this economic failure affects both the migration and natural change (births minus deaths) components of population change. Second, there are unfavourable fiscal consequences via the "Barnett formula", under which relative decline in the Scottish population reduces the public resources available to deal with the underlying problems. Third, the economic significance of the decline appears to have been misinterpreted by Scottish policymakers who have drawn incorrect conclusions as a result.

This paper analyses the causes and consequences of Scotland's population decline. It shows that:

- Recent discussion of Scottish population change has been over-sanguine, for two reasons:

  -The small gains of population through in-migration to Scotland during the early 1990s were due to the rare circumstance of a recession primarily affecting the south of England. These gains have already been reversed and are unlikely to recur for a long time to come.

  -While there has been a longer term reduction in out-migration, it has been offset, for the first time in modern Scottish population history, by a serious deterioration in natural change, reflecting both a greater fall in the birth rate and a lesser fall in the death rate than in the rest of the UK.

- Net out-migration is continuing to occur because of poor relative employment performance. The finding that migration is strongly determined by unemployment is well established in earlier work. This paper shows that Scottish net out-migration flows continue to be strongly related to changes in the relative levels of unemployment in Scotland and the south east of England.

- Decline is not general across Scotland, but is confined to particular areas, mainly the inner Clyde Valley and especially Glasgow. The decline in these areas is due to both migration and natural change and is responsible for most of the overall Scottish decline.

- Migration flows from the declining to the growing parts of Scotland are small and have been falling steadily. There is therefore little labour market adjustment by long-distance migration within Scotland. When jobs are lost in the inner Clyde Valley, many people leave Scotland altogether.

- The mortality component of the adverse trends in natural change in the inner Clyde Valley,

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and especially Glasgow, is certainly a consequence of employment loss and resulting high levels of unemployment and deprivation. It seems probable that the fertility component has been affected in a similar way.

- The current decline in the Scottish labour force is due to a combination of localised population decline and falls in economic activity, particularly in Glasgow, both of which are due to declining employment opportunity. It therefore indicates not a shortage of labour, but localised surplus.

- Scottish population decline will intensify the fiscal stress already being created by the Barnett formula. Less obviously, excess spending on social security, personal social services and health caused by the distress of Glasgow and the inner Clyde Valley is one of the principal reasons for the strength of the current political pressure to reduce Scotland's share of UK public expenditure.

- The analysis as a whole shows that Scotland's population decline, out-migration, excess mortality, low economic activity and fiscal stress are all strongly interlinked and derive mainly from the economic distress of the inner Clyde Valley and especially Glasgow. The decline in fertility is found in the same areas and appears likely to be affected by the same causes.

These findings conflict with key assumptions generally held by Scottish policymakers, particularly in identifying the pivotal role of localised employment loss and in showing that the parlous state of Glasgow is so damaging to Scottish prospects. They therefore have important implications for policy. It is argued here that the distress of Glasgow and the inner Clyde Valley is to a substantial extent actually the result of policies dating from the 1960s. Scottish policymakers adopted a particularly strong version of the "growth pole" strategy, which was fashionable at that time, attempting to create what was conceived to be a more competitive spatial structure for central Scotland by concentrating resources on the New Towns. This strategy has dominated policy through to the present day. However, it depends upon a number of key assumptions, which in Scotland as elsewhere, have proved invalid. The consequence has been to cause economic decline in the unfavoured areas without sufficient compensating growth in the target areas. This paper concludes therefore that Scottish spatial economic development strategy needs to be fundamentally reshaped to promote employment growth in Glasgow and the inner Clyde Valley.

The statistical analysis in this paper takes the story back a quarter century to 1974. This was the year in which the Scottish population peaked, at 5.241m, after almost continuous growth since records began in 1801. It is also a convenient starting point in terms of availability of data. The paper begins with an overview of Scottish population change, identifying the respective roles played by migration and by natural change. It then goes on to consider migration and natural change separately in more depth, analysing the relationship with unemployment and the varying picture in the different parts of Scotland. The issue of the declining Scottish labour force and the connected influence upon it of localised population decline and falling economic activity are then discussed. The implications for public expenditure via the Barnett formula and the debate surrounding it are drawn out. Finally, the paper discusses how Scottish policy has come to tolerate, and promote, such extreme disparities in prosperity between areas.

A one-off upward correction in the mid-year population estimate for Glasgow City of around 12,000 was made in 1998 as a result of an increase in the electoral roll produced by a registration campaign. This has affected several of the officially published figures for individual areas within Scotland. The issue is discussed in Appendix 1. To avoid confusion, all the tables and figures show the official statistics exactly as published; the implications of the correction for the likely true figures are discussed in the text. Sources and detailed issues of methodology are discussed in Appendix 2.

Throughout the article, "Rest of Scotland" ("RoScot") means all the Scottish Health Board Areas other than the one being considered. "Rest of UK" ("RoUK") always means England, Wales and Northern Ireland.

SCOTTISH POPULATION CHANGE: THE OVERALL PICTURE

The divergence of experience of population change between Scotland and the rest of the UK since 1974 is plain. In absolute terms, while Scotland's population has fallen by 0.094m, the population of the rest of the UK has risen by 2.879m. Figure 1 shows these changes in index number terms, with Scotland falling to 98.1% of its 1974 population by 1998 and the rest of the UK growing to 106.1%. The rest of the UK has seen unbroken population

increases since 1982, but the pattern for Scotland has been more variable. The Scottish population fell steadily from 1976 to 1988, then rose at a slower rate than the rest of the UK to 1995 before resuming its fall. The 1998-based projections have the Scottish population falling further to 97.0% of the 1974 figure by 2021, with decline accelerating thereafter to 93.0% in 2036. The population of the rest of the UK by contrast is projected to grow continuously to 113.2% of its 1974 level in 2021 with only a levelling off in its growth thereafter, to 115.4% in 2036. In consequence, whereas Scotland had 9.3% of the UK population in 1974, it had only 8.6% in 1998 and is currently projected to have 7.5% in 2036, one fifth less than its share in 1974.

This is a rather worse picture than is acknowledged in recent official statements. The Secretary of State (1998) and Scottish Enterprise (1999a) have referred to the Scottish population as having been "static" "for the past 40 years" or "since 1950". But this overlooks the continuing increase up to 1974 and the substantial decline of about 100,000 since then, and also the fact that death of the large post-war "baby boom" cohorts is certain to exert strong downward pressure on the population after 2020.

Figure 2 shows how migration and natural change have both contributed to the divergence in population change between Scotland and the rest of the UK since 1974.

MIGRATION

For most of the period migration has been much the more important factor, and it is changes in migration which explain most of the year-to-year fluctuations in the Scottish pattern of population change. The switch to population growth in 1988-1995 was due to net migration turning positive - only the second time this has happened since records began, the previous occasion being 1932 and possibly 1933 (Hollingsworth 1970). The impact of this change has however been modest. Although there were six years of migration gains, from 1989/90 to 1994/95, in only three of these - 1989/90, 1992/93 and 1993/94 - did Scotland have a better migration experience than the rest of the UK. And since 1995 the historical trend of net out-migration has resumed, albeit at a lower rate than before.

NATURAL CHANGE

While the migration picture has improved, the experience of natural change has worsened. Figure 2 shows that Scotland and the rest of the UK have had similar year-on-year movements in natural change, but that there has been a steadily increasing divergence between them since 1976 so that Scotland's experience has become progressively less favourable. Natural change has now become almost as important as migration in explaining the overall divergence in population experience between Scotland and the rest of the UK. This is a new phenomenon. Net out-migration has been an almost constant feature of Scottish life for more than two centuries, since the 1780s. But until recently, it has almost always been much more than offset by buoyant natural increase (Flinn et al. 1977).

GEOGRAPHICAL DIFFERENCES WITHIN SCOTLAND

Geographical differences in population change between the different parts of Scotland are not an incidental detail. They are the heart of the matter. Broadly speaking, Scotland might as well be three different countries: it has a declining part, a booming part, and a stable part. Geographical analysis within Scotland in this paper is in terms of the 15 Health Board Areas (HBAs), because they are the smallest geographical units for which accurate data are available on a yearly basis. Table 1 shows the populations of the HBAs in 1974 and 1998, together with information on employment change, unemployment and deprivation which is required to interpret migration and natural change. The biggest HBAs are Greater Glasgow, Lothian, Lanarkshire and Grampian, in that order, each having over 10% of the Scottish population. At the other end of the scale, Dumfries & Galloway and Borders have less than 3% each and the three islands HBAs around a half per cent each.

Total net population change over the whole period 1974 to 1998 is dominated by the huge loss of over a quarter of a million people, 253,806, from the Clyde Valley - the combined area of the three HBAs of Greater Glasgow, Lanarkshire and Argyll & Clyde. Most of this, 218,187, was from Greater Glasgow, with Argyll & Clyde also showing a substantial loss of 33,281. Lanarkshire's loss was much smaller at 2,338. Tayside - an area which unhelpfully from the present point of view combines the declining city of Dundee with a booming exurban hinterland around Perth - lost a net 11,383. By contrast, Grampian gained 77,265 and Highland 30,023, with Lothian, Fife, Forth Valley and Borders gaining smaller numbers.

Official 1998-based population projections to 2016 have just been published for the HBAs. Figure 3

shows these and the 1974-98 changes on an annual basis so that they can be compared directly. The main changes are that Greater Glasgow's rate of loss is projected to be much reduced, while Grampian (reflecting the rundown of jobs in North Sea oil) moves from gain to loss, Highland ceases to gain significantly, and Lothian's gain increases greatly. But the picture overall is not very different. In particular, the Clyde Valley's losses continue to dominate at 60,000 over the 18 years, compared to a net Scottish loss of 42,000, with Greater Glasgow continuing to have the biggest loss, at 29,000.

Figure 4 compares each HBA's population change in 1981-96 with employment change (from the Census of Employment) over the same period. There is generally a fairly close relationship: areas gaining jobs gained people and areas losing jobs lost people. The correspondence between employment and population change is not perfect because there are other flows, which are not related to employment. In particular, Western Isles and Shetland both lost far more population than would be expected from their employment experience, presumably because of their remoteness. The correlation between employment change and population change is 0.78 if they are excluded but comes down to 0.56 if they are included. There has been strong net migration of retired people into Borders, Dumfries & Galloway, Fife and Tayside, and some decentralisation by commuters (Findlay et al. 1999); these flows also complicate the picture..

Job gain or loss is reflected in unemployment and deprivation. Table 1 shows that in 1971 unemployment was generally relatively low. The exception was Western Isles, where it was 12.3%; the Clyde Valley HBAs were also higher than the rest, in the 6%-8% range, with Greater Glasgow second highest at 7.6%. By 1981 unemployment had risen greatly everywhere except Western Isles and Shetland, particularly in the industrial areas, with Greater Glasgow, Lanarkshire and Ayrshire & Arran all rising by some 10 percentage points. It is more difficult to track subsequent change. Since 1981, Census, claimant and Labour Force Survey unemployment figures have all become progressively more misleading because of the movement into other statuses of large numbers of people who want to work. This issue has been discussed by a number of authors including Gregg & Wadsworth, Green and the TUC Economics Department. The Sheffield Hallam University estimates of "real" unemployment are therefore shown in Table 1. Based on empirical study of labour market adjustment in areas of job loss, they include estimates of those people on Incapacity Benefit or in other statuses (early retired, on government training schemes etc.) who would be employed in conditions of reasonably full employment (Beatty et al. 1997). On this measure, it is striking how much worse are the Clyde Valley and especially Greater Glasgow than the rest of Scotland. Greater Glasgow scores 28.9%, almost 11 percentage points worse than the Scottish average. This is due mainly to Glasgow City (30.6%). Some people may baulk at the sheer magnitude of these figures. But it should not be surprising, given the scale of the job losses which have been seen. Glasgow lost one third of its manual jobs in 1981-91 alone, a larger number than the whole of the rest of Scotland put together.

The 1991-based Carstairs deprivation scores in Table 1 mainly reflect the various consequences of unemployment. They show how hugely deprived is Greater Glasgow by comparison to the rest of Scotland, with over half its population (almost all in the city of Glasgow and Clydebank) in the most deprived categories 6 and 7. The other Clyde Valley HBAs have around one quarter of their populations in these categories, and Tayside one fifth, almost all in Dundee, while Western Isles also shows up strongly with 17% and Ayrshire & Arran has 11%, due particularly to the former coalfield area of Cumnock & Doon Valley. Reflecting general prosperity, the other HBAs have no or very small proportions of their populations in these categories. Within the Clyde Valley, high levels of unemployment and deprivation in are in practice mainly confined to the inner Clyde Valley, from Motherwell, Coatbridge and Airdrie through Glasgow, Clydebank, Renfrew and Paisley to Dumbarton and Inverclyde. The new towns of East Kilbride and Cumbernauld, as well as the prosperous Glasgow suburbs of Eastwood, Bearsden, Milngavie and Bishopbriggs, have relatively low levels of unemployment and deprivation.

Figures 5A, 5B and 5C show the components of population change for each HBA. As shown earlier in Figures 1 and 2, the overall rate and composition of population change in Scotland has varied, between three main time periods: 1974/75-1988/89, 1989/90-1994/95, and 1995/96-1997/98. The three charts therefore show the components of change separately for each of these periods (to avoid problems resulting from the Glasgow population correction, for the international/error column only, the final period is 1995/96-1996/97). Changes are expressed in terms of annual averages so that the three charts are directly comparable. Overall, apart from a rather unstable position in

relation to international migration, the geographical differences have remained similar over the whole 1974-98 period, although losses from the losing areas and gains to the gaining areas are both generally smaller in 1995-98 than in 1974-89.

The patterns of migration and natural change and their relationship to economic factors are now examined more closely.

MIGRATION

Scotland's unfavourable migration experience is a consequence of relatively poor economic performance. The levels of the net flows to the rest of the UK, and, perhaps more surprisingly, to the rest of the world, are predominantly determined from year to year by the capacity of the south of England to absorb migrants, as in turn determined by economic conditions there. It was the inability of the south to absorb migrants during the recession of the early 1990s which created the more favourable Scottish migration experience of 1989 to 1995. Long-distance movements within Scotland play little economic role: the two halves of the country interact almost exclusively with the rest of the UK and with the rest of the world rather than with each other. They have almost completely independent migration systems.

DESTINATIONS FOR SCOTTISH NET OUT-MIGRATION

The net migration flow from Scotland is separated into its component destinations in Figure 6. Net movement to and from the armed forces is only a small element, although, reflecting force manpower reductions, it accounted for a gain to Scotland of 28,170 over the whole period 1974-98 and contributed significantly to the favourable migration experience in the early 1990s. Exchanges with the rest of the UK and with overseas countries are much more important, accounting for losses to Scotland of 83,800 and 101,887 respectively in 1974-98.

Scotland's net migration loss to the rest of the UK is overwhelmingly to the south of England. Over the 18 years 1980-97 net movement to the rest of the UK from Scotland was 37,000, but net movement to the three southernmost English regions (south east, East Anglia and south west) was almost double this, at 63,700. Of this movement to the south, almost half (about 28,000) was to London and one third (about 21,000) to the rest of the south east. Net movement to the Midlands and Wales was negligible, while Scotland actually gained 18,000 from the three northernmost English regions and 12,000 from Northern Ireland.

MIGRATION EXCHANGE WITH THE REST OF THE UK

Migration exchange with the rest of the UK is clearly related to changing job prospects. There is a longstanding body of statistical work showing this (e.g. Oliver 1964; Adams 1980). More recently, Forsythe (1995) has identified the north-south movement of unemployed men directly, and studies in London of homeless people from Scotland have shown that job search is the main reason for their move south. Jackman & Savouri (1992) have shown that long-distance migration increases when hiring by employers is taking place. It rises when jobs are being created and falls during recessions. The timing (as opposed to existence) of long-distance migration is therefore not determined by unemployment differentials but by *changes* in unemployment differentials. In line with this, Figure 7 shows that there is a clear correlation ($r = 0.62$) over the period 1974-98 between the annual change in the difference between the unemployment rates in Scotland and SE England, and the level of the net migration flow. In most years, unemployment has fallen in SE England relative to Scotland, and migration has been from Scotland to the rest of the UK (which as we have seen means mainly to the SE). The net flow to the rest of the UK was large until the mid-1980s, accelerating as the Lawson boom took off in 1987/88. There has also been a net flow to the rest of the UK since 1994/95 as the economy in the south has recovered, falling off modestly in 1997/98 as the Scottish economy briefly caught up. At the time of writing, this relative economic improvement has already reversed again, and Figure 7 shows that the already known relative change in unemployment rates in 1998/99 implies that that year's net migration flow (yet to be announced by the official statisticians) is likely to be barely positive.

The striking exception to the general pattern of flow from Scotland to the rest of the UK was the recession years 1989/90 to 1992/93 when, unusually, Scottish unemployment was falling relative to the SE. Green et al. (1994) have shown that the 1989-93 recession had a completely different geography from that of 1979-83. The earlier recession, which was of the "structural" type, started in the north, reflecting the impact of sterling overvaluation on manufacturing, and much of the south remained relatively untouched. The later recession, of the "debt deflation" type, started in the south, being due to unwinding of the over-

inflation of the service sector which had occurred during the later 1980s. It only later spread to the north, again assisted by sterling overvaluation. There is a close parallel with 1932-33, when there was the same combination of a debt deflation recession originating outside Scotland and a favourable net migration flow. At the time of writing we are again seeing the economy run in such a way as to favour the service economy of the south. However the monetary regime is now much tighter and seems likely to prevent the excessive asset price inflation and growth of indebtedness which would be required for a recurrence of the 1932-33 and 1989-93 experience. It therefore appears likely that the relative buoyancy of the southern economy will continue to draw people out of Scotland.

INTERNATIONAL MIGRATION

The international net outflow of migrants from Scotland has usually been broadly similar in magnitude to the net outflow to the rest of the UK. It has been erratic, but the long-term trend is a steady reduction, although there have still only been three years when Scotland has actually gained population from the rest of the world - 1989/90, 1993/94 and 1994/95. Net movement to the rest of the world has a marked tendency to move inversely to migration to the rest of the UK, in particular rising strongly during the 1979-83 and 1989-93 recessions, when net movement to the rest of the UK fell. Inspection of the estimated international inflows and outflows (Figure 8) reveals that this inverse movement is due to changes in the outflow, not the inflow. Similarly, the longer-term improvement in the balance is due to a slow rise in the inflow, not a fall in the outflow. This is strong evidence that there is an underlying economic pressure to leave Scotland, and that movement to the rest of the world is regarded by migrants as a "second-best" compared to movement to the rest of the UK, presumably in view of higher financial and personal costs. In other words, people leave for better opportunities; they get them in England if they can, otherwise they go further afield.

PROJECTIONS OF SCOTTISH NET OUT-MIGRATION

The new official 1998-based projections assume that from 2001 the net Scottish migration loss to the rest of the UK and the rest of the world together will be 1,000 per year, compared to 3,000 per year in the previous (1996-based) projection. These official projections take into account trends over the whole of the past decade and, unlike the present paper, do not consider an explicit model of the way migration is determined. The analysis made here implies that there may be a continuation of the trend in 1995-98, when the net migration loss (including Armed Forces) was about 4,600 per year. The argument of this paper does not depend on querying the official projections; however, it is worth being aware of the possibility that they may be overoptimistic.

DIFFERING MIGRATION EXPERIENCE WITHIN SCOTLAND: DOMESTIC AND UK FLOWS

The experience of migration, like population change as a whole, has been hugely different between different parts of Scotland. Over the whole period 1974-98, the net migration loss to Scotland (excluding Armed Forces) was 186,390. But over four-fifths of this (152,745) was from the Clyde Valley, almost half of it (66,933) from Greater Glasgow, with Lothian also losing 26,255, while Grampian and Highland together gained 21,361. Changes elsewhere were relatively small. In the recent two years 1995-97 (a better guide than 1995-98 because avoiding the effects of the Glasgow correction), Scotland's total migration loss was 16,278. The Clyde Valley lost 4,457, with Grampian losing 8,428 and Tayside 2,488. Lothian was the only significant gainer at 3,573 and the whole of the rest of Scotland lost only 4,478. While Lothian has performed better and Grampian worse in the most recent period compared to 1974-88, the Clyde Valley has lost consistently.

These geographical differences in migration reflect labour market differences. Figures 9 to 11 show the relationship between changes in unemployment differentials and net migration to the UK outwith Scotland in 1974-98 separately for Greater Glasgow, Grampian and Lothian - the three HBAs with the largest net migration. In each case, the claimant unemployment rate of the appropriate Travel-to-Work Area (TTWA) is used as a proxy for the true unemployment rate of the HBA, and compared with unemployment in the SE. Not surprisingly, Greater Glasgow with its high unemployment shows the strongest dependence of migration on relative unemployment changes (correlation 0.67 for the migration rate, which adjusts for population change over the period, greater than the average of 0.62 for the rest of Scotland). Grampian shows a fairly high correlation (0.59) and Lothian the lowest (0.46). Grampian's low level of unemployment is reflected in the fact that it has far more observations lying in the top right quadrant of the chart than Lothian or (especially) Greater Glasgow.

Changes in unemployment therefore have a strong influence on migration flows between the different parts of Scotland and the rest of the UK. However the same turns out not to be true of the flows that these different parts of Scotland exchange with each other, indicating that there is very little long-distance labour market adjustment within Scotland. The correlations of migration with relative unemployment change are weak for Greater Glasgow with Grampian (0.33) and Greater Glasgow with Lothian (0.43). Figure 12 shows that apart from the exceptional years 1990/91 to 1993/94, the flows between the Clyde Valley and the growing Grampian and Lothian HBAs have been very small by comparison with those between the Clyde Valley and the rest of the UK. In other words, the east and west of Scotland have disconnected migration systems; they relate separately to the south of England but not to each other. Migration losses from the Clyde Valley are losses to Scotland, not gains to the East. This is particularly important because of the size of the Clyde Valley. In spite of many years of population decline, the Clyde Valley's share of Scotland's population (Table 1) has fallen only from 41.2% in 1974 to 37.1% in 1998. In theory, Grampian and Lothian together might be big enough to absorb the Clyde Valley's losses; together they accounted for 29.4% of Scotland's population in 1998, up from 26.5% in 1974. But in practice they do not (and the latest projections in any case suggest that Grampian will in future have little capacity to absorb net in-migration). This leads to the important conclusion that Scotland's loss of population through migration can be effectively stemmed only by improving employment performance in the inner Clyde Valley.

This picture is different from that assumed by Scottish policy makers. Since the Toothill Report (SCDI 1961) and the Scottish Office white papers of 1963 (Cmnd 2188) and 1966 (Cmnd 2864) which followed it, it has been assumed that people would migrate from the declining to the growing parts of Scotland, so that a strategy of promoting employment growth in what are considered to be the most competitive places will maximise the Scottish population. As Parr (1999) notes, the assumption that people would migrate more readily to a growth centre in their own region than they would to places outside the region was made quite generally in the "growth pole" strategies which were fashionable at the time. This idea continues to appeal. In a recent paper on north east Scotland reported in *The Herald* (21 October 1997), Tony Mackay of Mackay Consultants argued that the "efficient" level of (claimant) unemployment for Aberdeen would be about 4%, higher than the then recorded 2.4%, and that people should therefore move from elsewhere in the country to live and work there. But people evidently do not behave that way.

Figures 5A to C show large within-Scotland net migration flows. However this does not contradict the picture of small long-distance flows just outlined. The within-Scotland flows are often dominated by short-distance moves. For instance, in the case of Greater Glasgow, three-quarters of the net movement to "Rest of Scotland" since 1981 have been to the adjacent HBAs of Lanarkshire, Argyll & Clyde and Ayrshire & Arran. These local flows reflect residential choices and adjustment to decentralisation of employment. They can therefore have important labour market effects, but not such as to affect the overall Scottish adjustment to employment change. In the Clyde Valley, the usual situation has been that Argyll & Clyde and Lanarkshire gain population from Greater Glasgow, but lose population to England and overseas; the Clyde Valley in effect has an internal suburbanisation process overlaid on an underlying process of net migration outwith Scotland taking place from all three of its HBAs.

DIFFERING MIGRATION EXPERIENCE WITHIN SCOTLAND: INTERNATIONAL FLOWS

Net international migration for HBAs within Scotland is not estimated as such by the official statisticians and must therefore be calculated as a residual, by deducting all the separately measured components each year from the estimated change in mid-year population. This procedure will generally give a reasonably reliable picture. For 1997/98, however, the resulting figures are badly distorted by the Glasgow population correction and they are therefore ignored here.

All HBAs except Greater Glasgow and the islands have shown losses through international migration over the period 1974-97 taken as a whole. In spite of an overall improvement, in most parts of Scotland the position actually worsened in 1995-97 compared to 1974-88, with a very large loss in Grampian (reflecting the rundown of North Sea oil), and substantially increased losses in Tayside and Fife. But these have been offset by Lothian and Greater Glasgow, which have moved from loss to gain. Greater Glasgow's better experience may seem surprising. However, Champion (1999) shows that all the British conurbations except Merseyside had net gains in the "international/error" component in 1991-97. For the UK as a whole, he shows that the largest single

component of the net inflow (84%) was students, with a much smaller number of people (22%) whose reason for coming was to accompany or join others. The flows to Greater Glasgow and Lothian seem likely to be similar. An expansion in the student body will show up as net in-migration even if all the students individually go home at the end of their course. Some of those "joining others" may belong to the significant Asian minorities in Glasgow and Edinburgh. Asylum seekers also figure. These special flows to the two major cities are a relatively minor exception to the general picture of an unemployment-driven migration system.

IMPLICATIONS OF SCOTTISH NET MIGRATION LOSS

This analysis shows that, as in the past, Scotland is continuing to see net out-migration because of poor economic growth. Scottish policymakers appear however to have lost sight of this relationship and even to be arguing that the causation runs the other way. The Secretary of State (1998, para.12-13) recently argued that the "static" Scottish population "explains in part why long term economic growth in Scotland at 1.75% per annum has been about 0.5% per annum below the UK rate". This argument may seem attractive, but given the relationships examined here, it is not plausible. No one is attempting to argue that Ireland's current favourable experience - in which there has been both fast growth and net in-migration - is the result of a spontaneous reversal of migration flows producing faster economic growth. It is too obvious that the causation is the other way round.

NATURAL CHANGE

Scotland's continually worsening experience in natural change relative to the rest of the UK is due both to greater fall in the Scottish birth rate and lesser fall in the Scottish death rate. Like the adverse migration trends, these adverse changes are mainly a feature of the Clyde Valley.

Figure 13 shows the overall trends in fertility and mortality for Scotland and the UK. Scottish women's "total fertility rate" (TFR), or estimated total number of children on current fertility patterns, was higher than the UK's up to 1981, but has fallen more and is now lower. It fell from 2.53 in 1971 to 1.84 in 1981 and 1.58 in 1997; over the same period, the UK TFR fell only from 2.41 to 1.81 to 1.73. Scotland's age-standardised mortality rate per million population has fallen less than in the rest of the UK, from an already higher level, so that the differential has increased further. It fell only by 2,821 between 1971 and 1997, from 11,444 to 8,623, while the UK average fell by 3,078, from an already lower 10,448 to 7,370. In 1997, Scotland's standardised mortality ratios for men and women were respectively 17% and 15% higher than the UK average and higher than in any UK region by a wide margin. Out of every 1,000 men and women born in Scotland, only 640 and 771 respectively could expect to live to age 70, compared to 701 and 810 in the UK as a whole.

In respect of both fertility and mortality, the trends have been more adverse in the declining than in the prospering parts of Scotland. Because the population age and sex structure differs both between areas and over time, the natural change shown in Figures 5A to C gives a misleading impression. Valid comparisons must be made in terms of *standardised* birth and death rates, in other words the number of births or deaths per thousand population which each HBA would have had if it had had the same age and sex structure as Scotland as a whole. There have been considerable fluctuations from year to year, but a good indicator of long-term trends can be obtained by comparing the mean rates for 1995-98 with the mean rates for 1974-79 (Table 2).

The overall fall in the birth rate across Scotland between these periods was 1.2 per thousand. There were large falls in the islands, of 7.3, 3.7 and 1.6 per thousand in Western Isles, Shetland and Orkney respectively. But the islands have very small populations, a combined 1.8% of the Scottish total. Much more important to the overall outcome are the above average falls in the Clyde Valley HBAs of Greater Glasgow (2.2), Lanarkshire (1.9) and Argyll & Clyde (1.3). Ayrshire & Arran also had an above average fall, of 1.4. All the other HBAs had average or below-average falls, with Tayside and Lothian having trivial falls of 0.1 and 0.3 respectively, and Borders and Dumfries & Galloway showing no change at all.

The geographical picture for standardised death rates is only a little less clear-cut. The mean death rate for Scotland fell by 0.8 per thousand between 1974-79 and 1995-98. Once again, the islands show up particularly badly, with actual increases of 0.3 in both Western Isles and Shetland, and a below average fall of 0.5 in Orkney. Greater Glasgow had a fall of only 0.2 and Lanarkshire 0.6. Tayside and Lothian (both 0.4) and Grampian (0.7) also had below average falls. All the other HBAs had above-average falls, the largest being in Dumfries & Galloway (2.0) and Highland (1.8).

In terms of standardised mortality ratios (SMRs) -

the ratio of the area's standardised death rate to the Scottish average - Greater Glasgow has had much the worst experience. In the 1970s all four west of Scotland HBAs had higher SMRs than the rest, at around 107. Over the next 24 years Ayrshire & Arran did well, falling to the average of 100, while Lanarkshire and Argyll & Clyde remained about the same. But Greater Glasgow has seen a big rise, particularly since 1989, to 112, putting it well above all the other HBAs. There were also significant rises in the SMRs for Western Isles and Shetland, and for Lothian and Tayside, but these have brought them respectively only to an average 100 and a still below average 97.

Standardised birth rates and standardised death rates can be brought together to show standardised natural change - the overall rate of expansion or contraction of the population. Here the results are stark indeed. Between 1974-79 and 1995-98, mean Scottish natural change fell by 0.5 per thousand and turned from positive - growth by 4 people per 10,000 per year - to negative - contraction by 1 person per 10,000 per year. But most areas had an improvement in natural change, or only a slight worsening. Seriously adverse changes were confined to the Clyde Valley and the islands. Western Isles and Shetland had the largest falls, of 7.5 and 4.0 respectively, but still had positive natural change and as already noted have very small populations. The falls in the Clyde Valley are far more important to the Scottish outcome, especially Greater Glasgow's fall of 2.0. Figure 14 compares the Clyde Valley and the islands with the average for the rest, showing how striking is the deterioration in the Clyde Valley, and especially in Greater Glasgow whose population by 1998 was contracting (on this standardised basis) at a rate of 27 people per 10,000 per year.

Such contraction indicates very severe economic and social distress. Shaw et al. (1999) have shown that unemployment has a powerful effect on mortality and ill health, and that Glasgow has 7 out of the worst 10 constituencies in Britain for premature death. McLaren & Bain (1998) have shown for Scotland that deaths from suicide, coronary heart disease, stroke and some cancers are all strongly related to deprivation, which as seen in Table 1 is worst in Glasgow and the Clyde Valley. The Greater Glasgow Director of Public Health commented in 1998: "A necessary and continuing theme of successive Directors of Public Health Annual Reports has been the association between socio-economic deprivation and ill-health. For almost every significant condition this relationship holds." The fall in birth rates seems likely also to have been influenced by unemployment and poverty, although this relationship needs further research. Such a connection could operate via such factors as marital and relationship breakdown and homelessness (which are known to be strongly related to unemployment), ill health and substance abuse.

THE DECLINING SCOTTISH LABOUR FORCE

With a declining population, it is to be expected that Scotland will have a declining labour force. However the labour force decline is larger than would be expected on the basis of population change alone. This excess decline is again due primarily to the problems of the inner Clyde Valley and especially Glasgow.

Table 3 splits the estimated and projected change in the Scottish and Great Britain labour force over three time periods since 1971 into its population and activity rate components or "effects". The Scottish labour force has been growing more slowly throughout, with cumulative growth 1971-2006 of 8.9%, half the Great Britain increase of 17.4%. The difference is mainly accounted for by differential population change, with Scotland's greater rise in (female) economic activity in 1984-94 closing some of the gap.

The gap between Scottish and Great Britain labour force change has however been growing and the 1994-based projections to 2006 (the latest available) indicate that Scotland alone of all UK "regions" will see an actual fall in its labour force by 2006. This is due to a projected static population and a declining male activity rate. When these projections were published, they caused some consternation (*The Herald*, 12 August 1995). Scottish Enterprise's spokesman said forecasters "are obsessed with pessimism about the Scottish economy". But to date, the projection has turned out to be too optimistic about Scotland. It showed an increase of 0.6% in the Scottish labour force, from 2.519m in 1994 to 2.534m in 1999. The outcome according to the Labour Force Survey has been an increase in economically active persons of 0.04%, from 2.496m in summer 1994 to 2.497m in summer 1999. Over the same period the total of economically active persons in Great Britain increased by 2.8%, exactly as projected.

The less favourable Scottish labour force outturn has been due not to the population effect but to an unexpected further fall in economic activity from its already relatively low levels - Scotland's working age economic activity rate has been consistently below that of Great Britain, currently

by some 1.6 percentage points, and is over 5 percentage points below the South East. This is shown in Figure 15. The recent overall fall is mainly due to a large decline in economic activity in Glasgow. In 1995, Glasgow's working age activity rate as shown in the LFS was already some 8 percentage points lower at about 68% than that for any other separately distinguishable area in Scotland. It was almost 15 percentage points lower than Aberdeen. Since then, Glasgow's activity rate has fallen by about 5 percentage points, to about 63%. No other area has had a fall of more than about 3 points, Dundee being the next worst affected, but only to about 73%, 10 points better than Glasgow.

The progressive decline in Glasgow's working age economic activity over the last two decades is shown in Figure 16. In 1971 Glasgow actually had a higher activity rate than the rest of Scotland, and almost as high as Great Britain; it was still ahead in 1981. But since then there has been a huge decline of about 14 points, while Scotland and Great Britain have seen a further rise of 2-3 points. Between 1981 and 1991 the city moved from 208th to 10th in the ranking of British local authority districts for working age economic inactivity (Green 1994). Glasgow's decline is so massive that by itself, on the basis of 1998 population, it amounts to a reduction of over 2% in the Scottish labour force; if Glasgow had the average Scottish activity rate, the Scottish rate would almost equal that of Great Britain instead of being almost 2 points lower. The rigorous labour market accounts by Bailey et al. (1999) indicate that this fall in activity is due to a straightforward collapse in local demand for labour rather than to labour supply factors. By way of analogy, the pronounced spike in the GB (but not Scotland) activity rate in 1987-93 shown in Figure 15 was clearly due to the surge in labour demand in southern Britain created by the Lawson boom.

The decline in the Scottish labour force is therefore a consequence of localised job loss, acting via out-migration, excess mortality, and unemployment disguised in the form of economic inactivity. But it has been misinterpreted by Scottish policy makers as a labour shortage. The Secretary of State's Strategy Guidance to Scottish Enterprise (1998) has already been quoted. Continuing his line of argument that labour supply, not labour demand, is the leading factor, he argued that the "static" population requires that "productivity must therefore increase if our (growth) performance is to improve further." Referring to these comments by the Secretary of State, the Scottish Office's Knowledge Economy Task Force (1999, para.1.3) took up the theme: "given Scotland's static population *and relatively high labour force participation rate* (emphasis added), a large part of the burden of delivering (faster economic growth) must fall on technology, innovation and productivity improvements." But, as we have seen, Scotland does not have a high labour force participation rate except in some prospering areas such as Aberdeen; and it is losing population because of poor job opportunities, not the other way about.

One of the reasons why Scottish policymakers have misinterpreted the evidence appears to be that they are unaware of the limitations of the official measures of unemployment. The Scottish Executive's new *Scottish Economic Report* (January 2000) gives a misleading picture of area variations in unemployment by quoting, without qualification, ONS local authority claimant "rates" which are invalid. These purport to show the rate of unemployment among the "workforce" of each area by expressing the number of unemployed people resident in the area as a percentage of the sum of those working in the area plus the unemployed resident in the area. But members of the purported "workforce" who are not resident in the area cease to be counted if they become unemployed. Thus this "rate" is no more valid than would be a Scottish death rate calculated by reclassifying Scottish people who die as foreign upon decease. As a result of this curious procedure, Glasgow's unemployment rate is stated to be 5.9%, only 0.9% above the Scottish average and lower than that of nine other authorities. But the Labour Force Survey shows its ILO unemployment to be the highest in Britain at 13.8% (Summer 1999). Given the central importance of Glasgow's unemployment to the whole evolution of the Scottish population and economy, such misrepresentation is bound to undermine policymakers' ability to understand what is happening.

A similar problem affects the official agencies' perception of overall Scottish unemployment. The Secretary of State (1998) has said that "unemployment is at its lowest for two decades" and Scottish Enterprise (1999a), referring to the claimant rate, stated that Scotland's unemployment is the lowest since the late 1970s and that the rate "is slightly above the UK average, but compares favourably with rates in continental Europe". But the claimant count cannot be used to make valid comparisons with the situation before 1979. ONS recently published estimates enabling comparison of the LFS (ILO) rate today with that prior to 1984 (Innes & Moralee 1999). This shows that UK

unemployment in 1979 on today's definition was 5.2%-5.3%; this compares with 6.1% at summer 1999, with Scotland higher at 7.4%. However, even this comparison does not make any allowance for the huge movement of unemployed people on to sickness benefits, which has occurred since 1979, and was discussed earlier in relation to Table 1. Beatty et al. (1997) estimates that Scotland's real unemployment is considerably worse than Great Britain as a whole - 18.1% compared to 14.2% in 1997. The TUC has produced a measure, the Want Work Rate (WWR), which can be used to make valid comparisons across time and between countries. It shows the unemployed plus the inactive wanting work as a percentage of all those working or wanting work (TUC 1998). The UK WWR was 14.0% at Autumn 1997 and 13.0% at Autumn 1999 compared to approximately 5.0% for 1979. In 1997, the WWR for France was 13.7% and Germany 12.9%. Confirming this picture, the proportion of the UK's inactive persons who wanted work was the highest in the entire EU at 12.9%, compared to only 4.7% in Germany and a mere 1.6% in France. This picture is much more easily reconciled with Scotland's continuing migration losses than is the official view.

IMPLICATIONS FOR SCOTTISH PUBLIC EXPENDITURE

The size of the population of Scotland relative to that of England is one of the determinants of Scottish public expenditure via the "Barnett formula". Kay (1998) described lucidly how this works. The principle is that each year's increase per head in public spending should be the same in Scotland as in England. Over time this will reduce the currently higher spending per head in Scotland to the same level as in England. There is thus a continuing "Barnett squeeze" on Scottish relative to English public spending.

The major determinant of the size of the Barnett squeeze is the rate of increase of English spending in cash terms, which in practice is mainly determined by the rate of inflation. But the shrinkage of the Scottish population relative to that of England is also significant. Using Kay's numbers (1998, Table 1), and assuming a 5% per year increase in English cash spending including a 2.5% rate of inflation, the effect of the officially projected relative decline in the Scottish population would be to reduce Scottish spending in 2026/27 by about £1,090m at 2001/02 prices, compared to what it would have been if the population relativity had remained unchanged. The relative population reduction would account for approaching one fifth of a total "squeeze" of £5,870m (2001/02 prices) per year by 2026/27 (Figure 17). This scenario is relatively palatable, in that Scotland would still see a real increase in spending of £6,566m compared to 2001/02, albeit less than the £12,436m needed to keep up with the growth in England. A less attractive prospect is given by assuming 2.5% per year inflation, but no real growth in public spending. In this case Scottish spending in 2026/27 would be £368m lower (2001/02 prices) than it would have been if the population relativity had remained the same. The population reduction would account for about one sixth of a smaller £2,200m (2001/02 prices) "squeeze" - but in this case the whole of the squeeze would represent a real cut in spending compared to 2001/02 levels.

Even if the Barnett formula were to be modified, the principle that expenditure should be population-related is unlikely to be abandoned, so that this element of the "squeeze" is likely to continue. Scotland as a whole is therefore suffering to a significant degree the fiscal stress which usually accompanies, and intensifies, the economic decline of an area; as we have seen, this is mainly due to the decline of the inner Clyde Valley. An important corollary is that additional expenditure in the inner Clyde Valley would cost Scotland nothing to the extent that it reduced its population decline, since the additional population would attract additional resources from the overall UK budget.

The decline of the inner Clyde Valley has a further indirect impact on Scottish public expenditure. Scotland's position in the debate over Barnett is weakened by the existence of a "fiscal deficit" - an excess of public spending over revenue (Scottish Executive 1999). Most authors argue that this is because Scotland has higher needs, and indeed it is relatively easy to argue that some areas of expenditure need to be higher, such as agriculture, fisheries and forestry, education and water, or that lower population density has a pervasive effect in raising costs. But the same is not true of health and personal social services, and social security (Figure 18), which account respectively for £962m and £670m or almost half (44%) of the £3,729m by which identifiable Scottish spending in 1997/98 was greater than it would have been on the basis of UK per capita levels (Scottish Executive 1999, Tables 3 and 4).

This excess spending is strongly related to the distress of the inner Clyde Valley. The Scottish Executive (*ibid.*) comments that "in health expenditure, Scotland's needs are greater for a number of reasons, including high death rates from circulatory diseases and cancer". These high death

rates are to be found mainly in the inner Clyde Valley. In addition, social work services costs are substantially driven by such activities as child protection and criminal justice; these are well established to be strongly related to unemployment. For instance, the city of Glasgow currently has almost twice the Scottish proportion of children in local authority care. The justification for extra spending on social security seems especially weak. Overall, Scotland is not poor compared to Great Britain: its GDP per head is 98.6% of Great Britain's (Bailey et al. 1999). But the excess spending on social security is huge, and it goes not to pensioners or children, but to people who ought to be in work. Scotland had 8.9% of the GB population in 1998, but accounted for only 8.7% of those receiving retirement benefits and 8.5% of children for whom child benefit was being paid. But it had a remarkable 12.2% of sickness and disability benefit claimants, 11.2% of unemployment benefit claimants, 11.6% of Housing Benefit claimants, 11.1% of Council Tax benefit claimants and 10.2% of those on Income Support. Once again, these excess levels are mainly a feature of the inner Clyde Valley (Figure 19). The new DSS Cross Benefit Analysis shows that the Clyde Valley by itself accounts for 85% of Scotland's excess working age benefit claimants; Glasgow City (post-1996 boundary) alone accounts for half (49.8%). Monklands, Glasgow and Clydebank all had more than one fifth of their working age male population on Incapacity Benefit in 1996 (Bailey et al. 1999).

SCOTTISH POLICY TOWARDS GLASGOW AND THE INNER CLYDE VALLEY

Given the severity of the problems of Glasgow and the inner Clyde Valley, one would expect to find Scottish policy vigorously promoting employment growth in these areas. But this is not the case.

The fundamental assumptions which drive Scottish policy today are those introduced by the Toothill Report of 1961 and the subsequent White Paper *Central Scotland: A Programme for Development and Growth* (Cmnd 2188, 1963) in which the Scottish Office adopted its ideas. Like the present paper, Toothill was focused on Scotland's loss of population and on the relatively poor employment growth and high unemployment which it acknowledged were driving it. Its thinking about the solution was very much of its time: it saw salvation in the concept of "growth areas". In the main, the chosen growth centres were New Towns, although Cmnd 2188 also listed North Lanarkshire, the area around Falkirk and Grangemouth, and the Vale of Leven.

Parr (1999) comments, "a newcomer to the field at that time could have been excused for thinking that no matter what the nature of the regional problem, it would be most effectively overcome by the adoption of a growth-pole strategy". As in other growth-pole strategies of the period, the idea was that by concentrating infrastructure investment on new centres where mutually reinforcing development would occur, Scotland could be given a more competitive spatial structure. This was linked in the Toothill case to a belief that both the Scottish cities themselves, and the industries located in them, were outmoded and needed to be replaced by something more modern. Before Toothill, Glasgow overspill had a positive purpose towards the city. It was designed to relieve excessive densities (although the validity of this was always disputed by the Corporation). After Toothill, overspill was directed to the reduction of employment and population in Glasgow as an end in itself. Whereas in relation to major centres such as Clydeside, the 1944 Employment White Paper had introduced a strong commitment to addressing unemployment through investment in the same or an immediately adjacent place, the Toothill strategy adopted the idea that investment should be targeted to the areas where it was hypothesised to be most productive, without regard to the location of the unemployed. People would then be required to move there.

The Toothill policies were adopted with unparalleled enthusiasm by the Scottish Office. Cmnd 2188 talked of a Scottish population of almost 6 million by 1981. But Parr comments about growth-pole strategy in general that "in the light of subsequent experience.....(it) can only be judged to have been unsuccessful". The Toothill strategy has been no exception. People have not migrated to the new growth poles in the way intended. The growth poles themselves have not produced faster growth; their manufacturing employment performance has been no better than the Scottish average (Henderson 1982) and inwardly locating overseas-owned plants have not become "embedded" in the local economy to any great extent, at least in electronics which has been the most studied (Jackson & Patel 1996). Faster Scottish population growth has not been achieved, and, worse, the consequences for Glasgow in particular have been dire, with the severe worsening of unemployment, economic activity and relative mortality seen in this paper.

The Toothill Committee did its work almost four decades ago and cannot be blamed for reflecting the ideas of its time. What is remarkable is the way

that policymakers have clung to the Toothill strategy for so long in the face of the mounting evidence of its failure and of the huge costs it has been imposing. Infrastructure investment has continued to be channelled away from inner Clydeside, and especially Glasgow, to this day. In spite of having no less than 9.1% of its land area vacant or derelict land, much of it superbly located on new motorways, Glasgow has never had a designated Enterprise Zone - uniquely among British industrial cities. Inward investment has been directed away from Glasgow, to the extent that the city, with 12% of the Scottish population, has only 5% of manufacturing employment in overseas owned plants (Bailey et al. 1999). Since Regional Selective Assistance (RSA) and European funding are both primarily triggered by property projects, and these do not occur except on sites which have been prepared, the benefit of RSA and EU assistance has disproportionately gone to support the "growth areas" rather than to relieve unemployment in areas such as Glasgow. In 1998/99, for instance, Glasgow with 17.5% of Scotland's ILO unemployment received only 9.7% of RSA (Hansard, 27 January 2000). Scottish Enterprise Network funding allocations to LEC areas give no priority to areas of higher unemployment; Glasgow Development Agency expenditure per claimant unemployed in 1998/99 was only 75% of that in Lothian, and lower than that of any other central Scotland LEC (Bailey et al. 1999). The new Scottish Enterprise *Strategic Framework for Economic Inclusion* (1999b) proposes as a target for "jobs into regeneration areas" a mere 500 in 2000/01. While there has been much discussion of policies on "social inclusion", they do not involve any serious commitment of resources to promote employment (Webster 2000). Finally, the M74 completion is regarded by all the public and business bodies in the west of Scotland as the highest priority infrastructure project in the entire region (Glasgow and the Clyde Valley Structure Plan Joint Committee 1999); it would unlock employment development across southern and eastern Glasgow, and is vital to the whole of Argyll & Clyde. On the Scottish Executive's own figures, it has a benefit-cost ratio greatly exceeding that of any other Scottish strategic road project, including all of those approved in November 1999 – for instance *eight times* better than the A1 upgrade. Yet it has received no funding from the Scottish Executive. The Executive has moreover indicated that it will block development projects that would put extra traffic on to the overstretched M8 - in other words any important project in the West of Scotland (Glasgow *Evening Times*, 29 February 2000; Scottish Executive letter "Transport Impact of Developments in Glasgow" of 13 December 1999). This is unmistakably a programme for the continued rundown of the inner Clyde Valley. Its Toothill lineage is clear.

CONCLUSION

Scottish policymakers are operating with a view of the world in which many of the problems which dominated the country's history in the twentieth century have supposedly been overcome. Economic growth may still be relatively slow, but it is thought that unemployment is low, out-migration can be regarded as negligible, at least in quantitative terms, and there is a shortage rather than a surplus of labour; the population is static rather than declining, and the country is in good shape to embrace the "knowledge economy". The present analysis contradicts this sanguine perspective. It shows that Scotland is suffering population decline, large localised labour surpluses, continuing unemployment-related net out-migration, declining fertility, excess mortality, low economic activity and fiscal stress; and that these are strongly interlinked and derive mainly from the economic distress of the inner Clyde Valley and especially Glasgow. Continuing failure to recognise and address the problems of these areas through vigorous promotion of employment will undermine the whole future of the country.

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APPENDIX 1: THE 1998 GLASGOW POPULATION CORRECTION

The Registrar General's 1998 mid-year population estimate for Glasgow City showed a rise of 8,020 compared to 1997. This was in response to an increase in Glasgow City's electoral roll of about

18,300, mainly caused by a more intensive electoral canvass and a registration promotion campaign in 1998 (Glasgow City Council 1999). The increase in population of 8,020 compares with an average decrease in the previous three years of 3,960. In effect, therefore, a one-off upward correction in the mid-year population estimate for Greater Glasgow of around 12,000 (8,020 + 3,960) has been made.

The change in mid-year HBA population estimates from year to year is the net result of births, deaths, within-UK migration (including movement to/from the Armed Forces) and international migration. Births and deaths are very well recorded and within-UK migration is rather well recorded. International migration however is generally less well recorded, and no official estimates are published at HBA level. In the estimation of net migration GRO(S) first establishes a net migration figure for Scotland, based on NHSCR data (for UK internal moves) and the results of the International Passenger Survey (for international migration), and then derives estimates for individual HBAs. The 12,000 adjustment for Greater Glasgow in 1998 has been put by the GRO(S) into the "estimated net civilian migration" item and in the present paper it is contained in the "international migration/error" item. The "net civilian migration" items for the other Scottish HBAs in 1997/98 have been adjusted by the GRO(S) also, to "compensate" for the adjustment to the figures for Greater Glasgow For this reason, Figure 4C does not use the 1997/98 figures for "international migration/error".

The 1998 correction for Glasgow is open to various interpretations. It is possible that net out-migration from Glasgow was overestimated in previous years. In this case, the excessive loss will have been shown in the "international/error" item. Unfortunately there is no way of knowing how any correction should be made to earlier years. However, a correction to the estimated population at a point in time does not necessarily imply that any of the flow estimates have been incorrect, since the true size of the population is never known with certainty. Another possibility therefore is that the correction for underenumeration in the 1991 Census, although already large, was too low. It is not possible to choose between the alternative explanations at this stage.

APPENDIX 2: DEFINITIONS, SOURCES AND METHODS

Boundaries Definitions of the Health Board boundaries can be found in the Registrar General's Annual Report for Scotland. They correspond to the 1974-96 Regions except within Strathclyde where they are groupings of 1974-96 Districts. The Clyde Valley as defined here in terms of the HBAs of Greater Glasgow, Lanarkshire and Argyll & Clyde coincides with the present Clyde Valley Structure Plan area except that the latter excludes the present Argyll & Bute council area. All references to Glasgow City in this paper are to the 1974-96 boundary (including Rutherglen and Cambuslang), unless clearly indicated to the contrary. The DSS Cross Benefit Analysis uses post-1996 local authorities. These correspond exactly to HBAs except in the Clyde Valley, for which benefit figures are therefore approximate. For these figures, W.Dunbartonshire has been split between Greater Glasgow and Argyll & Clyde using the population ratio given in the Scottish Office statistical guide to the new local authorities (1995); E.Renfrewshire has been attributed wholly to Greater Glasgow, and N. and S. Lanarkshire wholly to Lanarkshire. The effect is probably to overstate the extent of benefit dependency in Argyll & Clyde and Lanarkshire, and to understate it in Greater Glasgow. The figures for the Clyde Valley as a whole are not affected.

Population UK and Scotland mid-year populations 1974-97 are from the ONS *Annual Abstract of Statistics*. The 1998 mid-year population and components of change for Scotland in 1997/98 are from the *Annual Report* of the Registrar General for Scotland and the 1998 mid-year UK population from ONS *Population Estimates*, Series PE No.1 (1999). The 1998-based population projections for Scotland, England and the UK are from the Government Actuary's Department at www.gad.gov.uk. The components of population change 1974/75 to 1996/97 are from ONS *International Migration*, Series MN Table 1.1. The components of population change for the UK for 1997/98 are from ONS *First Release*. This latter source does not split "net civilian migration and other changes" into its components; the split for 1997/98 has been estimated by assuming that the mean ratio for 1995/96 and 1996/97 applies.

Migration Migration flows between Scotland and the rest of the UK, between Scotland and the Armed Forces, and within Scotland are taken from the National Health Service Central Register (NHSCR) data published by the GRO (Scotland). Migration flows from Scotland to different parts of the UK are taken from *Regional Trends* and/or *Social Trends*. These data have only been published since 1980. Net international migration flows for all years except 1997/98 are from ONS *International Migration*. These figures are subject

to large revisions after publication and therefore the latest published figure for each year has been used. Official international migration estimates are not published as such for areas smaller than the whole of Scotland. The estimates for HBAs in this paper have been calculated as a residual from the officially published elements of population change. This is the same procedure as used by Champion (1999). Scottish international inflows and outflows for calendar years 1974 to 1997 are from *International Migration*. These are estimated from the International Passenger Survey and are not revised subsequent to publication.

Births and Deaths Comparative data for Scotland and the UK on TFRs and age-standardised mortality rates are taken from *Population Trends*, on standardised mortality ratios from *Regional Trends*, and on survival rates from the *Annual Abstract of Statistics*. Comparative age-standardised mortality rates for Scotland and the UK use the European Standard Population.

Rates for Scottish Health Board areas are standardised to Scottish experience. They were sourced from the *Annual Reports* of the Registrar General for Scotland as follows. Standardised birth rates per 1,000 population are from Table P2.1 (1974-78), Table A2.2 (1979-93) and Table 1.3 (1994 onwards). Death rates per 1,000 population standardised for age and sex are from Table A2.2 (1974-93) and Table 1.4 (1994 onwards). Standardised mortality ratios are from Table C.2.29 (1974-93) and Table 1.5 (1994 onwards). Table C.2.29 was not printed for 1983-85 but produced on microfiche; copies of the 1983 and 1985 tables were kindly supplied direct by GRO (Scotland) and of the 1984 table by Tricia Fraser of the ISD Library, Common Services Agency.

Employment Employment figures are from the Census/Annual Survey of Employment via NOMIS, kindly supplied by Fergus Cooper of DRS, Glasgow City Council. 1981-96 is the longest period for which comparable figures can be readily obtained. These figures do not distinguish part-time from full-time jobs and therefore give an unduly favourable impression of employment change.

Unemployment Census unemployment figures for 1971 are for all aged 15+; for 1981 and 1991 they are for the population aged 16-64/59. Real unemployment estimates for 1997 are from Beatty et al. (1997), with figures for the HBAs within Strathclyde calculated separately from additional data kindly supplied by Tina Beatty of Sheffield Hallam University. One weakness of this measure appears to be that it overestimates real unemployment in areas which attract retirement in-migration, because it estimates excess early retirement on the basis of a simple comparison with the South East region of England in 1991. Beatty & Fothergill (1999) have computed an alternative measure of "hidden male unemployment" by comparing the number of Incapacity Benefit claimants at August 1996 with the number recorded as "permanently sick"in the 1981 Census. The two measures are highly correlated, but the "hidden male unemployment" measure shows Argyll & Clyde as worse than Ayrshire & Arran, as would be expected on the basis of other information including employment change. The ranking of the worst seven HBAs is otherwise unchanged. The real unemployment *relativities* between HBAs are broadly the same as those shown by LFS ILO unemployment rates in all cases for which separate figures are published, i.e. all except Lanarkshire, Argyll & Clyde and Ayrshire & Arran.

The unemployment series for regions and TTWAs are not fully satisfactory. All the figures are from *Labour Market Trends* or its predecessor the *Employment Gazette*. The unemployment figures for 1974-99 for Scotland and SE England are the unadjusted claimant count rate, which is expressed as a percentage of the total "workforce". The SE region in 1974-96 is the standard region, including Greater London, and thereafter it is the Government Office Region. The TTWAs used to measure relative unemployment are Glasgow, Edinburgh and Aberdeen. From 1974 to 1989 the TTWA figures were published only on the "narrow base" denominator of "employees and unemployed"; to promote continuity, this "narrow base" denominator (now renamed "per cent employee jobs and claimants") has been used for later years also. For 1981, no March figures were compiled and February has been used instead. There were changes of TTWA boundary in 1985 and 1999. The comparisons between Scottish TTWAs and the SE region are between "broad" base figures for the SE and "narrow" base for the TTWAs; since the focus here is on the *change* in the difference rather than the difference itself, this is not too serious a limitation.

The relationship between the level and direction of migration and the change in the difference in unemployment rates is not very sensitive to the choice of time lag. A range of quarterly lags has been tried. The best, used here, is effectively a one quarter lag. The change in unemployment is from March to March, while the migration flow is

estimated to be from June to June (patient registrations are recorded from September to September, and the NHS statisticians estimate that on average migrants take 3 months to register with a new doctor).

In Figures 7 and 9 to 11 it is noticeable that the relationship between net migration to the rest of the UK and change in the unemployment differential has been more favourable during the 1990s than in previous years. It is not possible to say whether this represents a real change (due for instance to changing population structure), or is merely an artefact of the changing coverage of the claimant unemployment count. The projections of migration for 1998/99 use the already known changes in the unemployment differential, together with the unemployment-migration relationship as seen during the 1990s.

A number of different statistical approaches can be taken to analysing the relationship between unemployment and migration. That taken here, using the change in the difference in unemployment rates, is believed to be innovatory. It is supported by the analysis of Jackman & Savouri (1992). It has been tested on the data for 1951-61 used by Oliver (1964) and works well. There, a simple regression of the rate of net total in-migration to Scotland on the annual change in the difference in unemployment rates between Scotland and "London, etc." produces an adjusted R-square of 0.92, better than the 0.76 produced by the best of Oliver's own multiple regression models.

Labour Force and Activity Rates Labour force estimates and projections for Scotland and Great Britain are from the *Employment Gazette*, February 1986, January 1990 and August 1995, and from the Labour Force Survey (LFS). The activity rate figures for Glasgow are taken from the Census (1971, 1981 and 1991) and LFS, with the figures for 1992-94 from the ESRC Data Archive via a draft PhD dissertation, Dept of Urban Studies, University of Glasgow by Donald Houston, whose kind assistance is greatly appreciated. Activity rates for 1971 are for those aged 15-64/59, and otherwise they are for those aged 16-64/59. The LFS has some sampling error and also uses the latest population projections rather than mid-year estimates.

Public Expenditure In calculating the Barnett squeeze to 2026/27, the assumption has been made that the population relativity used in the Barnett formula will be that given by the mid-year estimates for the calendar year three years before the start of the financial year in question, i.e. for 2000/01 the population relativity is that for 1997, for 2001/02 that for 1998, and so on. This is in line with para.3.8 of HM Treasury's *Funding the Scottish Parliament, National Assembly for Wales and Northern Ireland Assembly: A Statement of Funding Policy* (31 March 1999). This lengthy lag is due to the time required to finalise the mid-year population estimates and to the need to plan public spending well before the start of each financial year.

Social Deprivation Carstairs deprivation category figures are 1991-based and are from McLaren & Bain (1998).

Social Security Claimant figures for Scotland and Great Britain are from *Social Security Statistics 1999*, and for local authority areas from the Department of Social Security's Cross Benefit Analysis for May 1999.

TABLE 1
POPULATION, EMPLOYMENT CHANGE, UNEMPLOYMENT AND DEPRIVATION
SCOTTISH HEALTH BOARD AREAS 1974-1998

	Population				Employment	Census	Census	Real	Population
	1974		1998		change	unempl.	unempl.	unempl.	in Carstairs
	No.	% of	No.	% of	1981-96	1971	1991	1997	categories 6 & 7
		Scotland		Scotland	%	%	%	%	1991%
Gtr Glasgow	1129387	21.6	911200	17.8	-13.0	7.6	16.2	28.9	51
Lanarkshire	563138	10.8	560800	11.0	2.4	6.3	12.5	23.4	24
Argyll & Clyde	460181	8.8	426900	8.3	-8.9	6.0	11.5	19.2	25
CLYDE VALLEY	2152706	41.2	1898900	37.1	-8.6	6.7	14.0	25.6	37
Ayrshire & Arran	374423	7.2	375400	7.3	-4.7	4.9	11.7	21.8	11
Borders	99105	1.9	106300	2.1	-0.4	3.2	6.1	8.1	0
Dumfries & G.	143711	2.7	147300	2.9	-7.5	4.2	8.1	14.6	0
Forth Valley	267029	5.1	275800	5.4	-7.1	4.9	10.0	17.9	5
Fife	337690	6.5	348900	6.8	-1.5	5.1	9.6	17.4	4
Grampian	447935	8.6	525200	10.3	27.7	4.0	5.0	9.3	0
Highland	178268	3.4	208300	4.1	5.8	5.7	8.8	15.0	0
Lothian	758383	14.5	773700	15.1	10.8	5.1	8.8	13.6	5
Tayside	401183	7.7	389800	7.6	-6.2	5.8	9.6	15.8	20
Orkney	17462	0.3	19550	0.4	6.9	3.0	5.6	9.5	0
Shetland	18445	0.4	22910	0.4	-2.0	3.9	4.8	7.2	0
Western Isles	30060	0.6	27940	0.5	5.5	12.3	11.6	15.6	17
SCOTLAND	5226400	100.0	5120000	100.0	0.0	5.8	10.6	18.1	18

Sources: See Appendix 2

TABLE 2

STANDARDISED BIRTH RATES, DEATH RATES AND NATURAL CHANGE

SCOTTISH HBAs 1974-79 and 1995-98

All rates are per 1,000 population

	SCOTLAND	Borders	Forth V.	D & G	Fife	Grampian	Highland	Lothian	Argyll & C.	Gtr Glasgow	Ayr & Arran	Lanarks	Tayside	Orkney	Shetland	W.Isles
STANDARDISED BIRTH RATES																
Mean 1974-79	12.8	12.4	12.8	12.7	12.7	12.3	14.3	11.1	13.3	13.2	13.2	13.7	12.0	14.9	16.8	19.2
Mean 1995-98	11.5	12.4	11.8	12.7	11.6	11.5	13.1	10.8	12.0	11.0	11.8	11.8	11.9	13.3	13.1	12.0
Difference	-1.2	0.0	-1.1	0.0	-1.1	-0.8	-1.2	-0.3	-1.3	-2.2	-1.4	-1.9	-0.1	-1.6	-3.7	-7.3
STANDARDISED DEATH RATES																
Mean 1974-79	12.4	11.3	12.6	12.3	11.9	11.1	12.6	11.7	13.3	13.3	13.1	13.2	11.5	11.4	11.1	11.3
Mean 1995-98	11.6	10.1	11.4	10.4	11.0	10.4	10.9	11.3	12.4	13.1	11.6	12.6	11.1	10.9	11.4	11.6
Difference	-0.8	-1.2	-1.2	-2.0	-0.9	-0.7	-1.8	-0.4	-0.9	-0.2	-1.5	-0.6	-0.4	-0.5	0.3	0.3
STANDARDISED NATURAL CHANGE																
Mean 1974-79	0.4	1.0	0.3	0.4	0.9	1.2	1.7	-0.6	0.1	-0.1	0.1	0.5	0.6	3.5	5.7	7.9
Mean 1995-98	-0.1	2.3	0.4	2.3	0.7	1.1	2.3	-0.5	-0.4	-2.1	0.2	-0.8	0.8	2.4	1.7	0.4
Difference	-0.5	1.2	0.2	2.0	-0.2	-0.1	0.6	0.0	-0.4	-2.0	0.1	-1.3	0.3	-1.1	-4.0	-7.5

Source: Annual Reports of the Registrar General for Scotland

TABLE 3

SCOTLAND AND GREAT BRITAIN
COMPONENTS OF CHANGE IN THE LABOUR FORCE 1971-2006

	Population effect	**Activity rate**	**Total change**
MEN			
1971-84 change as per cent of 1971 labour force			
Scotland	7.5	-7.1	0.4
GB	6.5	-7.1	-0.6
1984-94 change as per cent of 1984 labour force			
Scotland	2	-4.8	-2.8
GB	4.7	-4.5	0.2
1994-2006 projected change as per cent of 1994 labour force			
Scotland	-1.3	-2.4	-3.7
GB	4.7	-2.5	2.2
WOMEN			
1971-84 change as per cent of 1971 labour force			
Scotland	4.2	9.1	13.2
GB	5.1	12.1	17.2
1984-94 change as per cent of 1984 labour force			
Scotland	-0.2	13.1	12.9
GB	2.7	8.1	10.8
1994-2006 projected change as per cent of 1994 labour force			
Scotland	-2	6.2	4.2
GB	3.8	6.7	10.5
ALL			
1971-84 change as per cent of 1971 labour force			
Scotland	5.9	-0.5	5.3
GB	5.8	0.3	6.1
1984-94 change as per cent of 1984 labour force			
Scotland	1.1	2.5	3.6
GB	3.9	0.7	4.6
1994-2006 projected change as per cent of 1994 labour force			
Scotland	-1.6	1.4	-0.2
GB	4.3	1.5	5.8

Sources: Employment Gazette, Feb. 1986 and Aug. 1995

FIGURE 1 SCOTLAND AND REST OF UK: POPULATION 1974-98 AND 1998-BASED PROJECTIONS TO 2036 1974=100

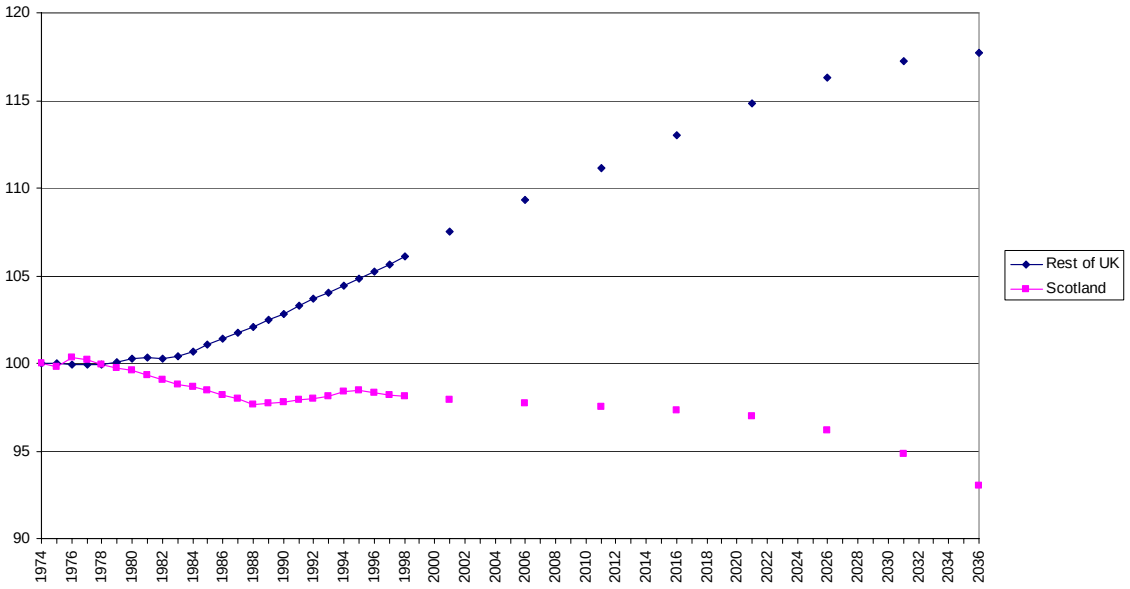


FIGURE 2 SCOTLAND AND REST OF UK: MIGRATION AND NATURAL CHANGE as % of population at start of year

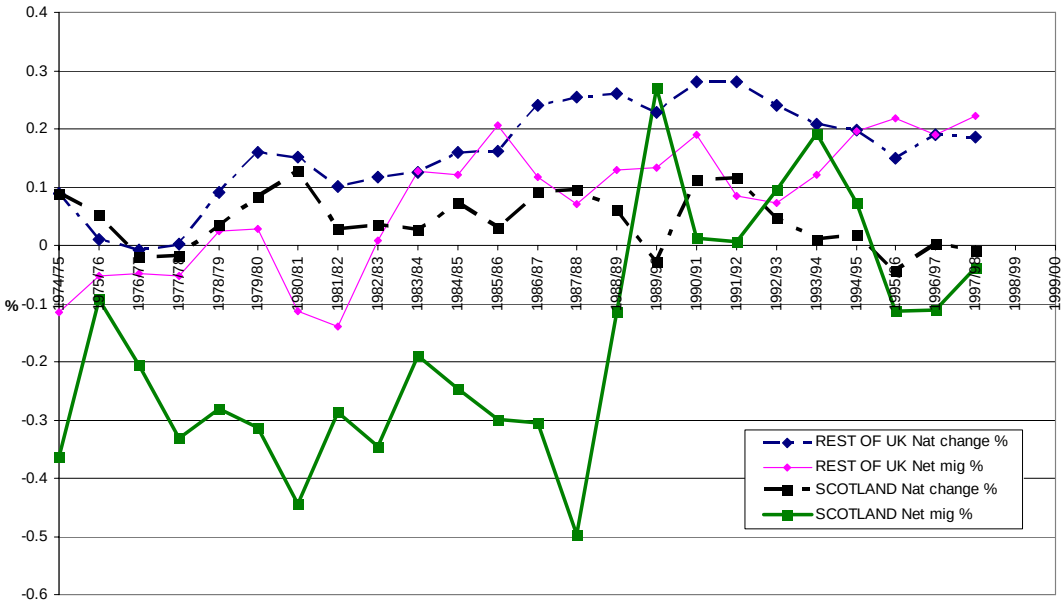


FIGURE 3 SCOTTISH HBAs: POPULATION CHANGE 1974-98 AND PROJECTED POPULATION CHANGE 1998-2016 per year

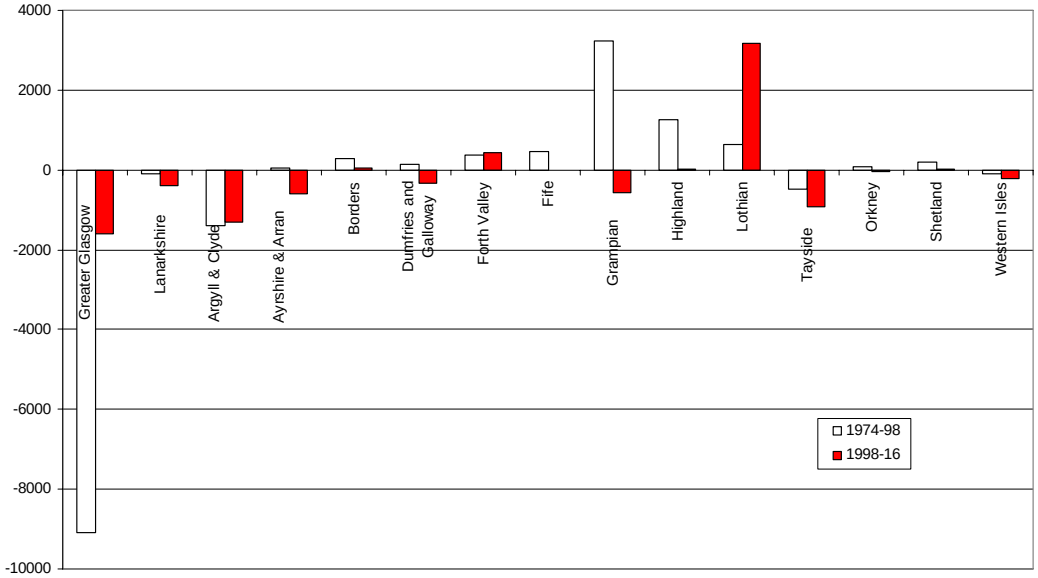


FIGURE 4 SCOTTISH HBAs: EMPLOYMENT AND POPULATION CHANGE 1981-96

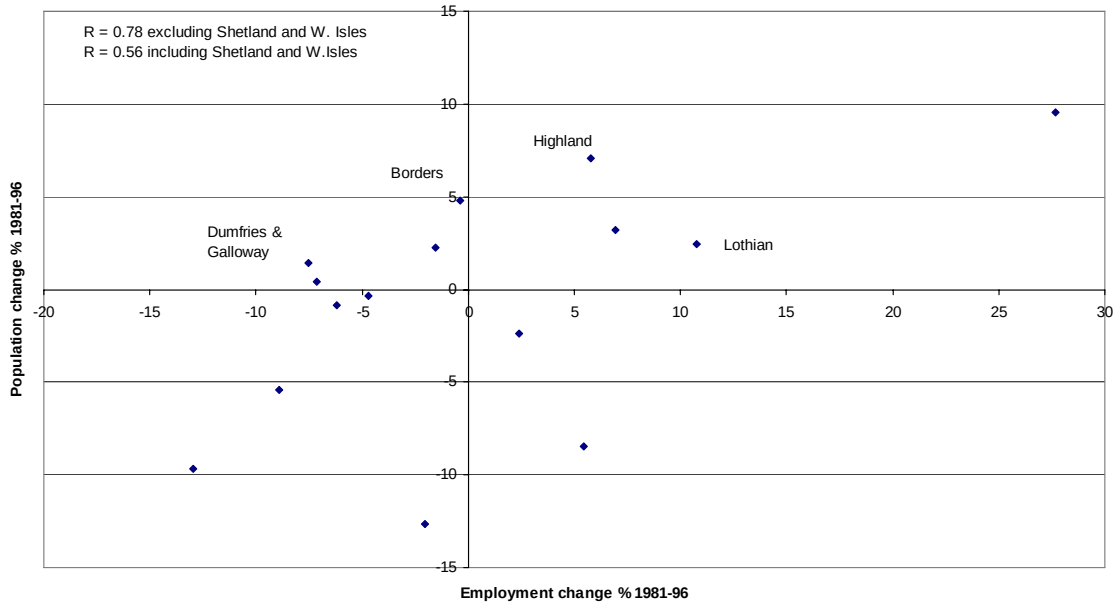


FIGURE 5A SCOTTISH HBAs: COMPONENTS OF POPULATION CHANGE, annual average 1974-89

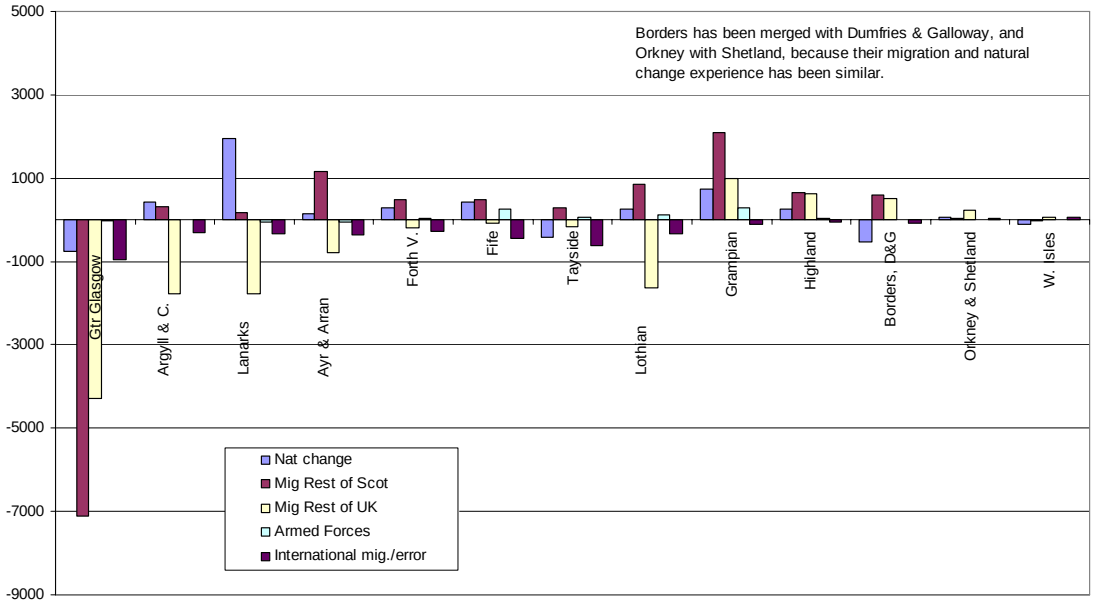


FIGURE 5B SCOTTISH HBAs: COMPONENTS OF POPULATION CHANGE, annual average 1989-95

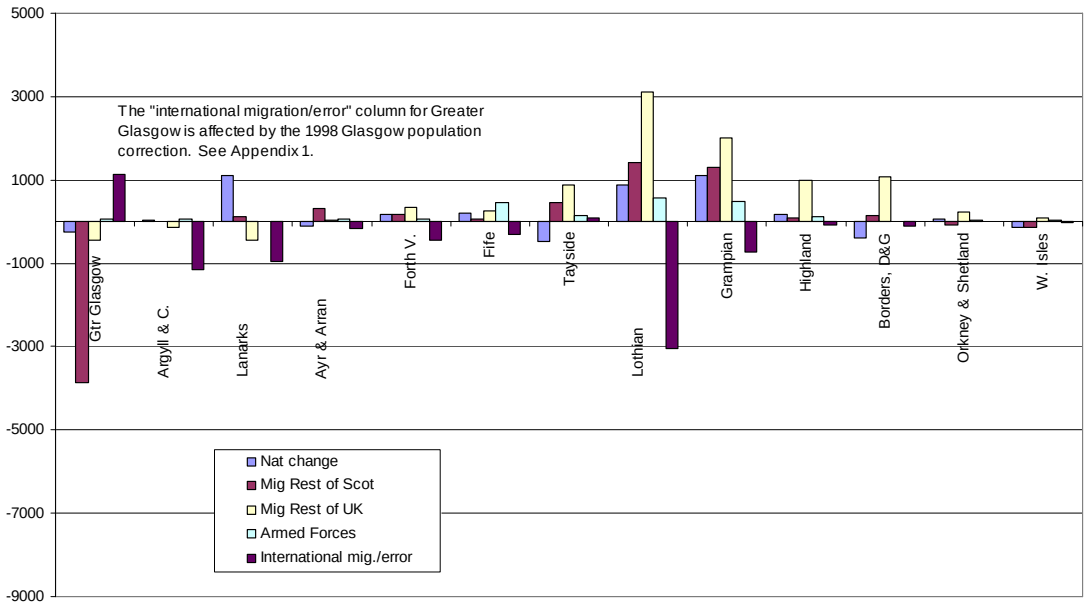


FIGURE 5C SCOTTISH HBAs: COMPONENTS OF POPULATION CHANGE, annual average 1995-98

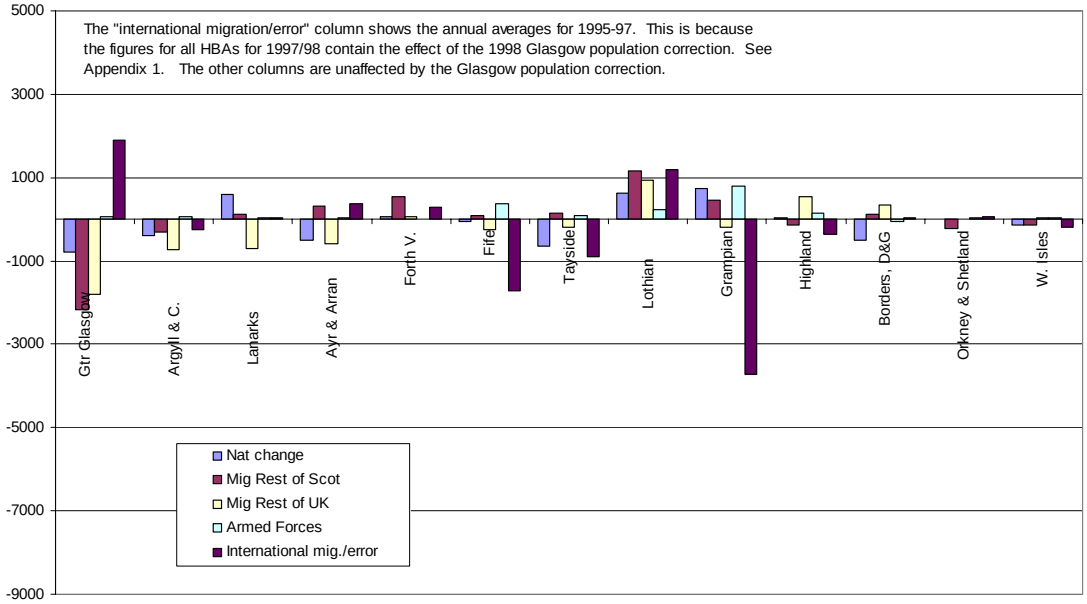


FIGURE 6 NET MIGRATION FROM/TO SCOTLAND 1974/75-1997/98

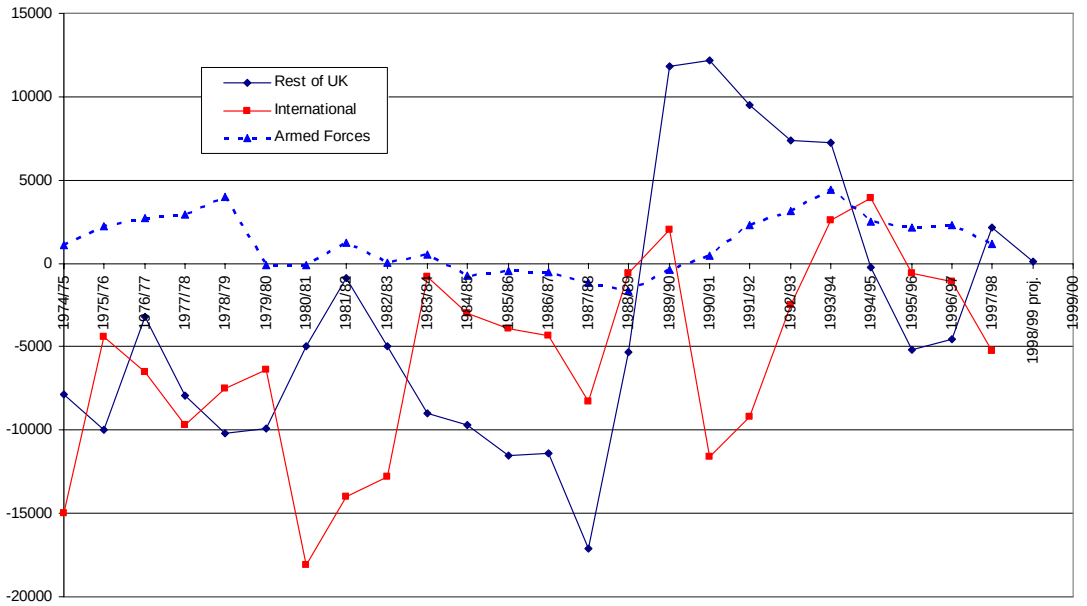


FIGURE 7 UNEMPLOYMENT AND MIGRATION SCOTLAND AND REST OF UK 1974/75-97/98

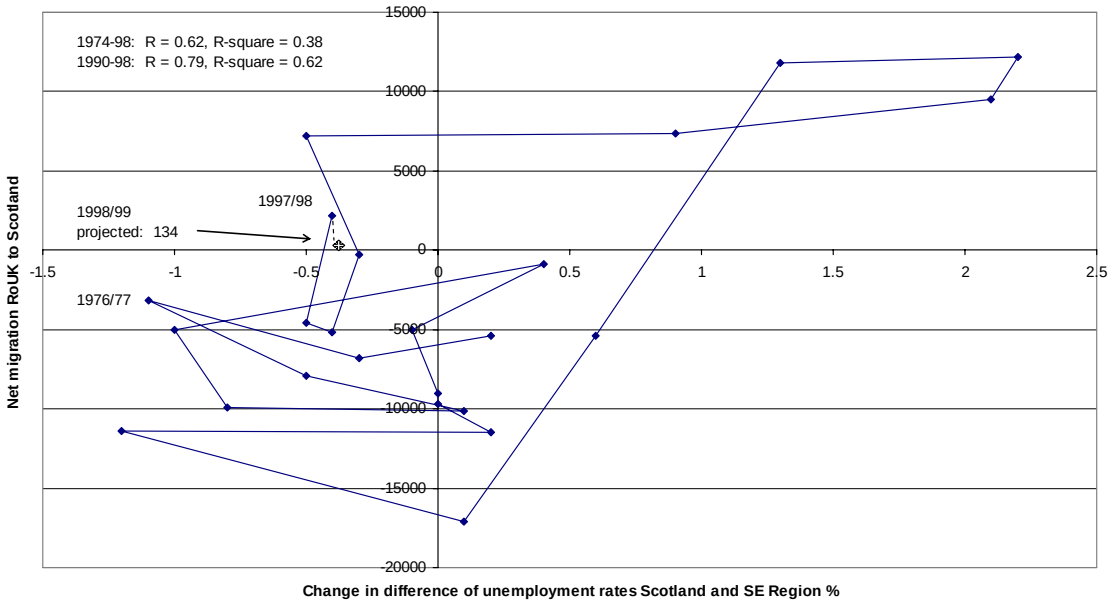


FIGURE 8 SCOTLAND: INTERNATIONAL MIGRATION FLOWS 1974-97
(calendar years)

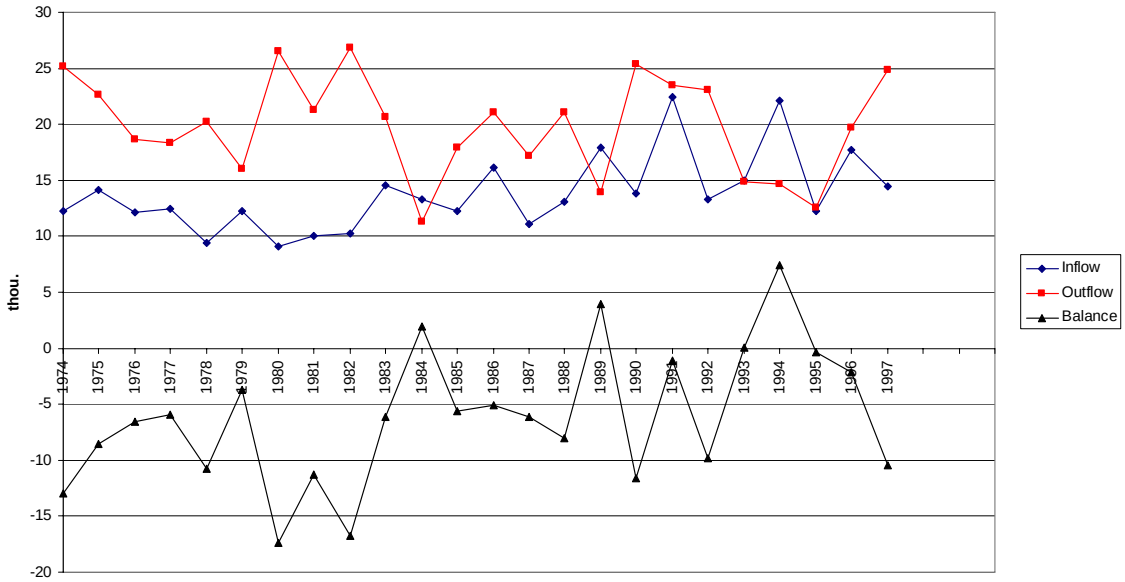


FIGURE 9 UNEMPLOYMENT AND MIGRATION GREATER GLASGOW HBA AND REST OF UK 1974/75-97/98

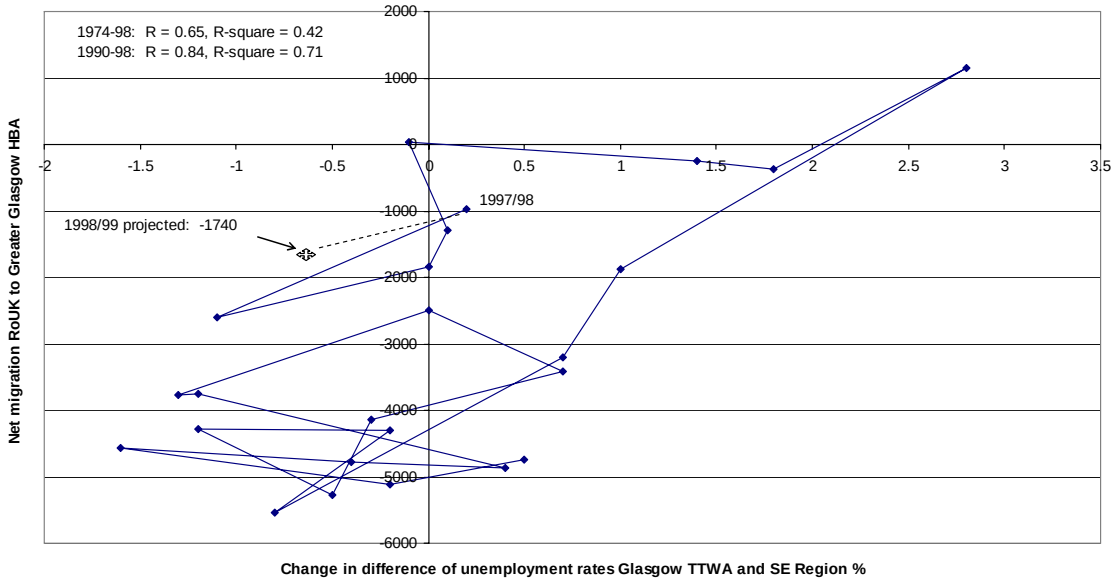


FIGURE 10 UNEMPLOYMENT AND MIGRATION GRAMPIAN HBA AND REST OF UK 1974/75-97/98

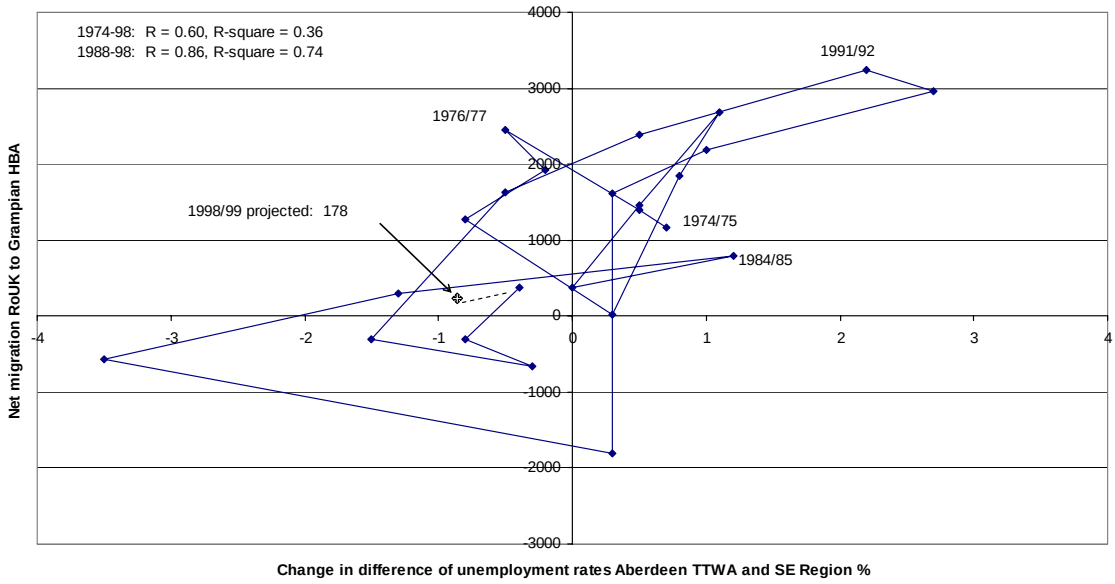


FIGURE 11 UNEMPLOYMENT AND MIGRATION LOTHIAN HBA AND REST OF UK 1974/75-97/98

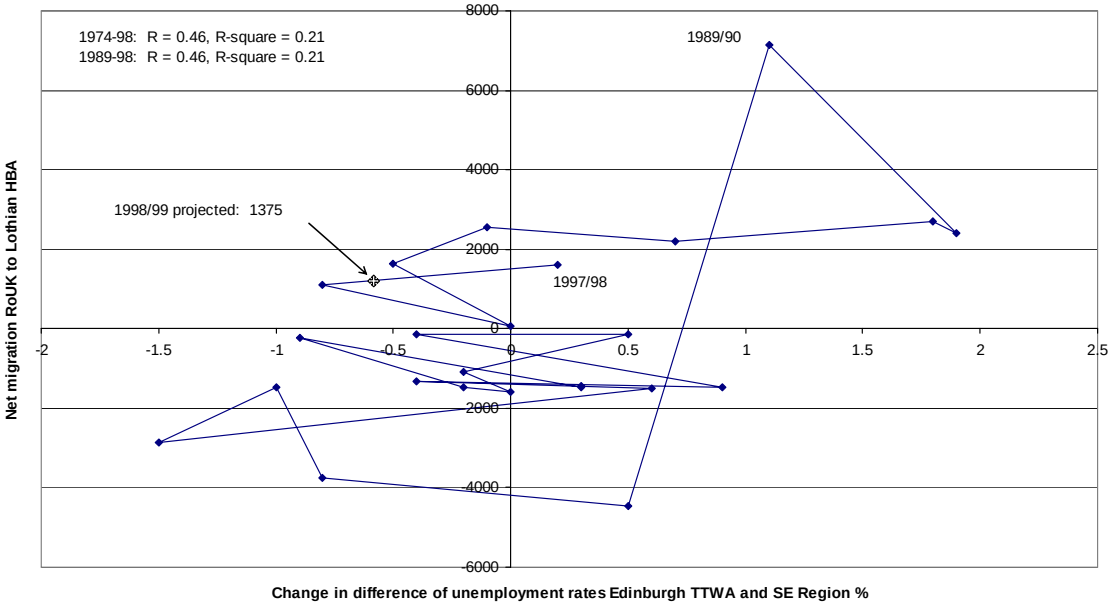


FIGURE 12 NET MIGRATION FROM THE CLYDE VALLEY TO GRAMPIAN & HIGHLAND, LOTHIAN, AND REST OF UK, 1974/75-1997/98

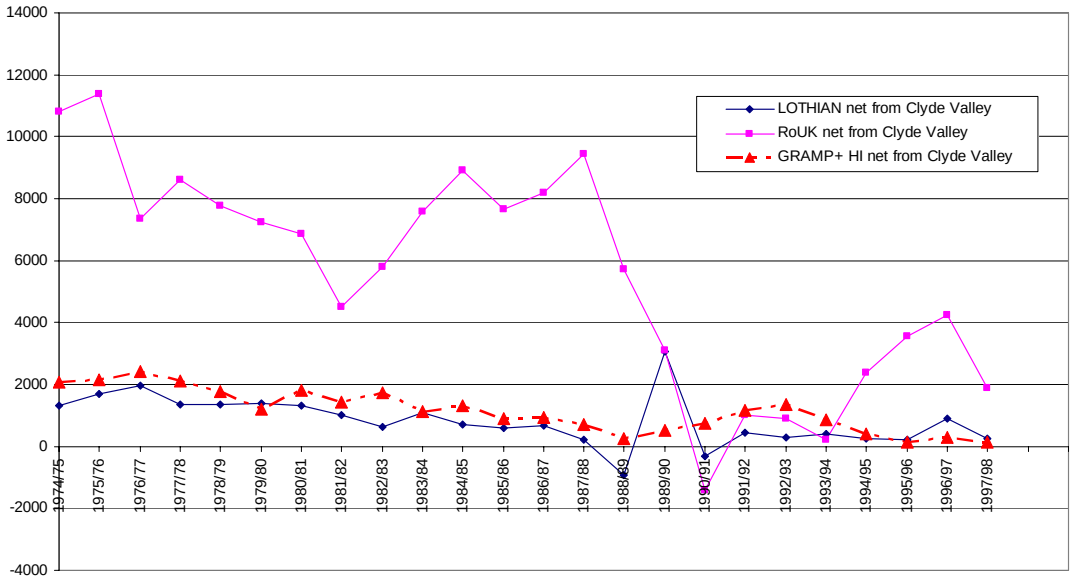


FIGURE 13 SCOTLAND AND UK: FERTILITY AND MORTALITY, 1971-1998

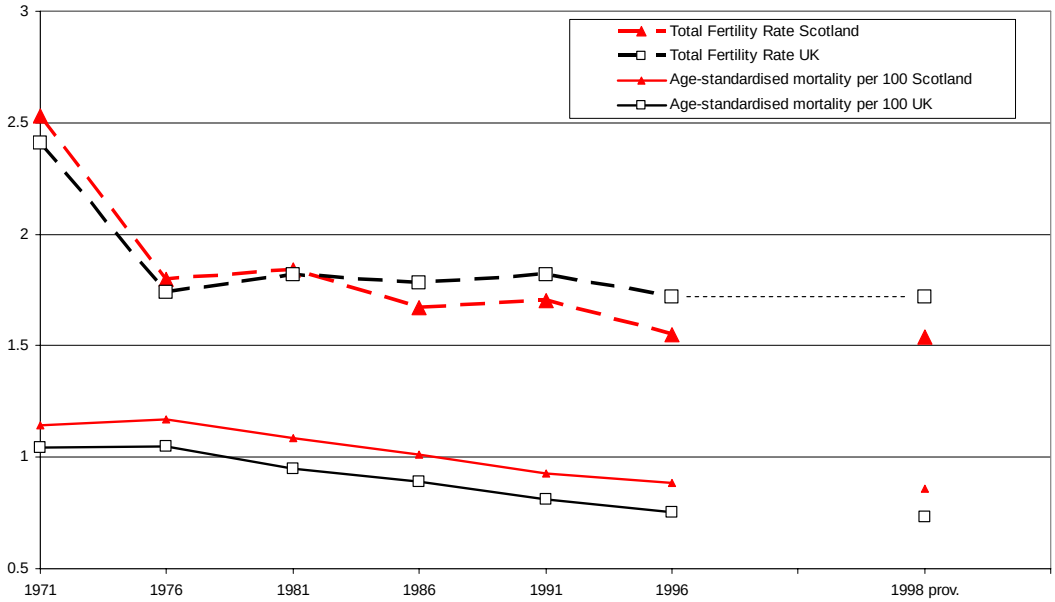


FIGURE 14 SCOTTISH HBAs: STANDARDISED NATURAL CHANGE (per thou.) 1974-1998
WORST PERFORMING AREAS AND WEIGHTED AVERAGE FOR REST OF SCOTLAND

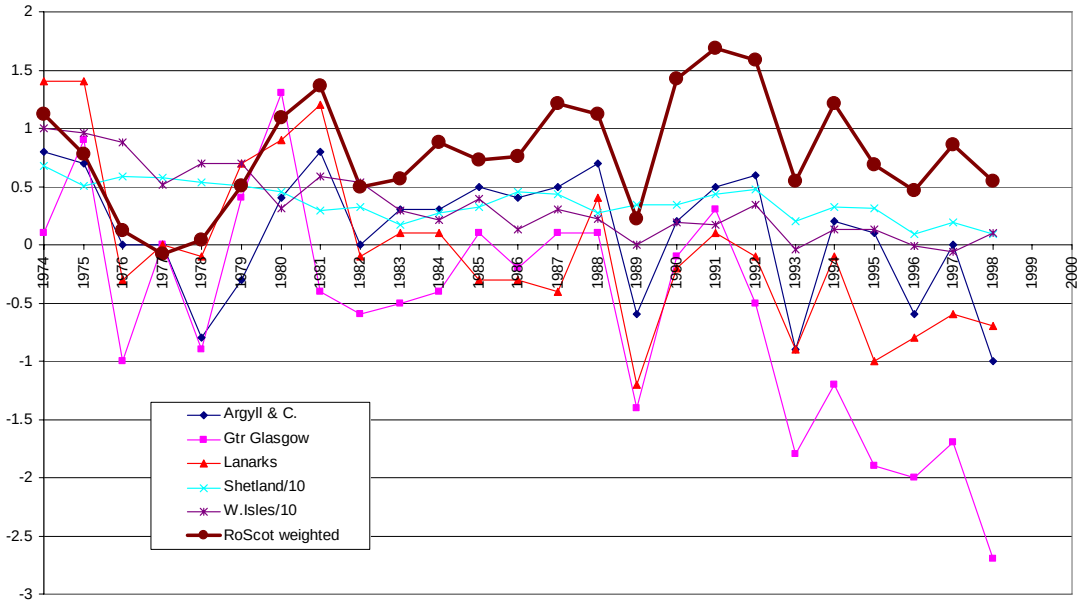


FIGURE 15 WORKING AGE ACTIVITY RATES
SCOTLAND AND GREAT BRITAIN 1981-2006 estimated and projected

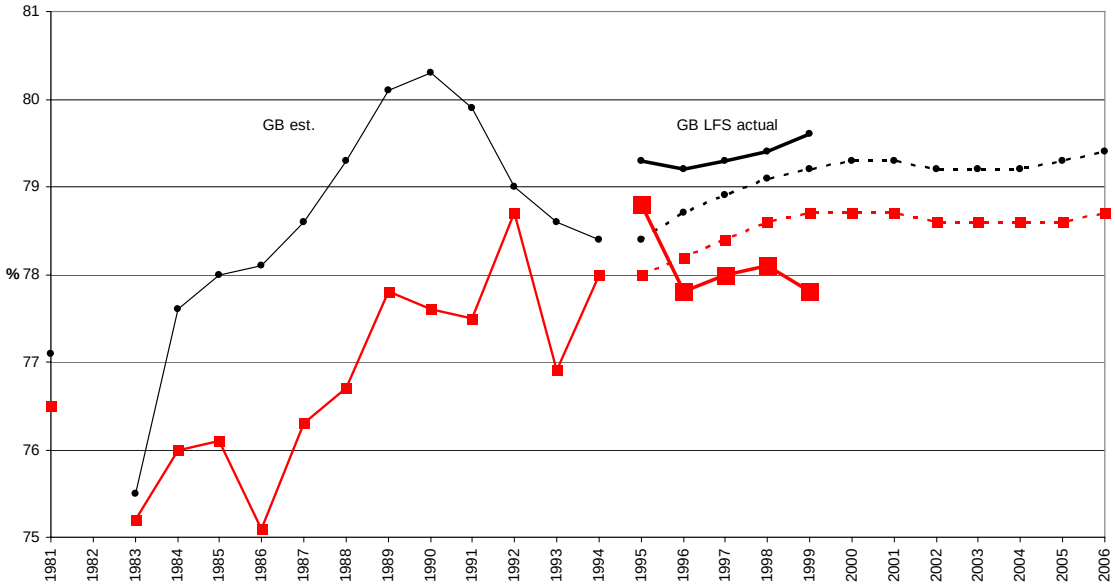


FIGURE 16 GLASGOW, SCOTLAND AND GREAT BRITAIN:
WORKING AGE ECONOMIC ACTIVITY RATE 1971-1999

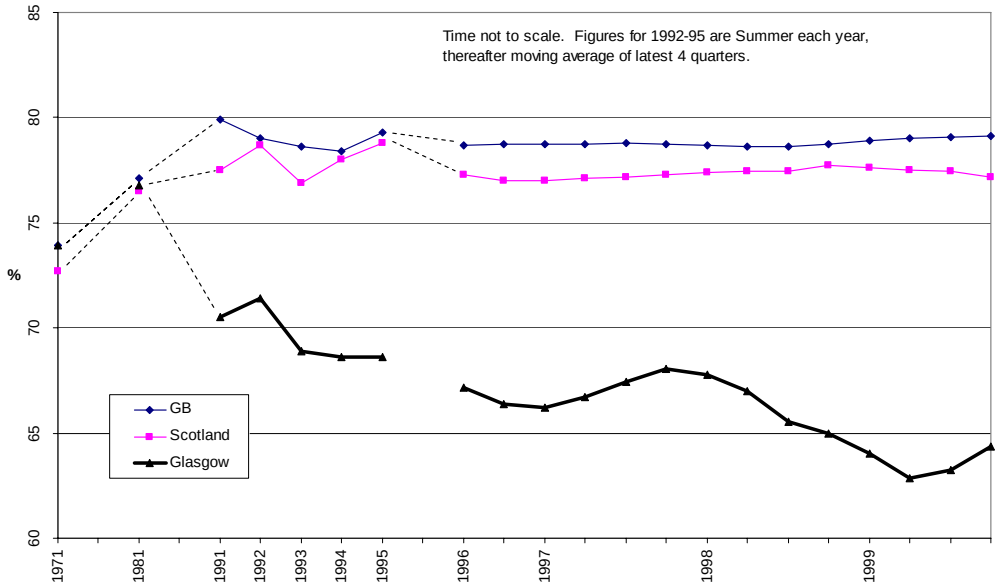


FIGURE 17 THE BARNETT SQUEEZE PROJECTED 2001/02-2026/27 (2001/02 prices)

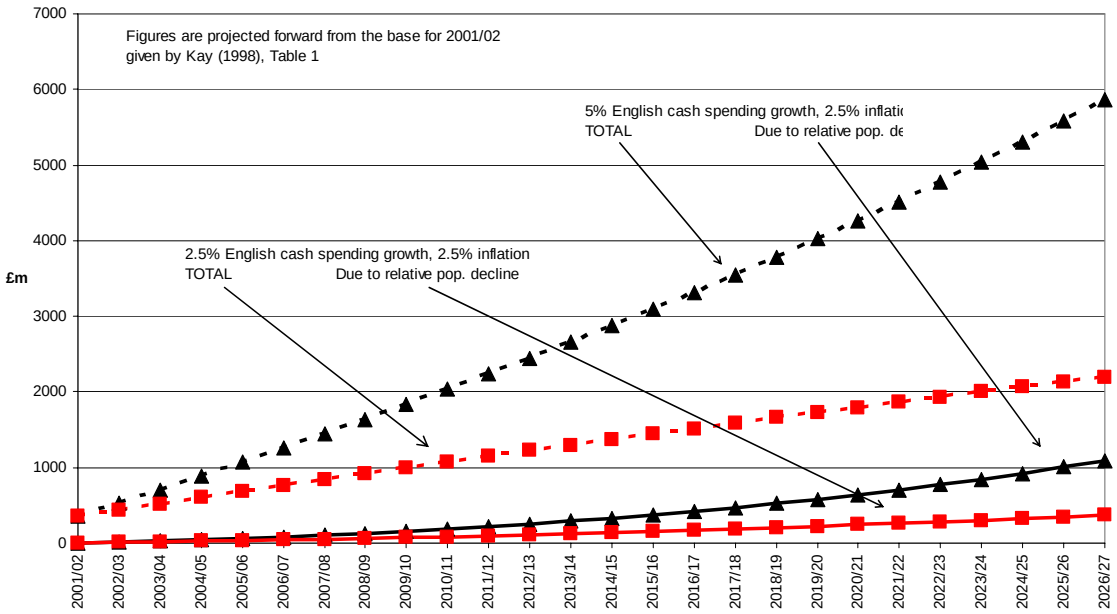


FIGURE 18 COMPOSITION OF SCOTLAND'S IDENTIFIABLE PUBLIC SPENDING IN EXCESS OF UK PER CAPITA LEVELS 1997/98

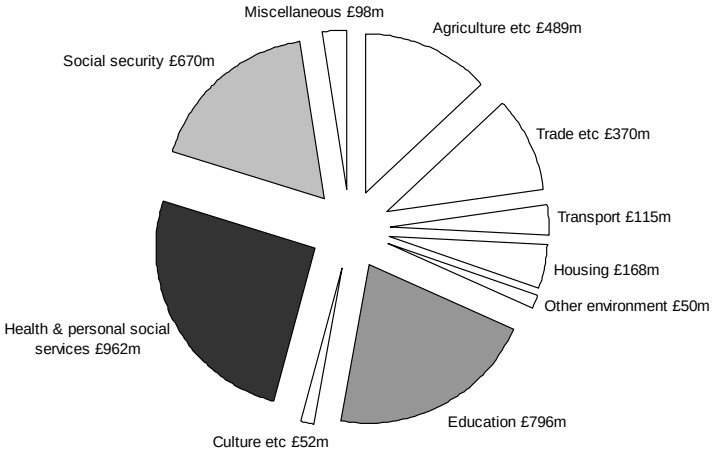
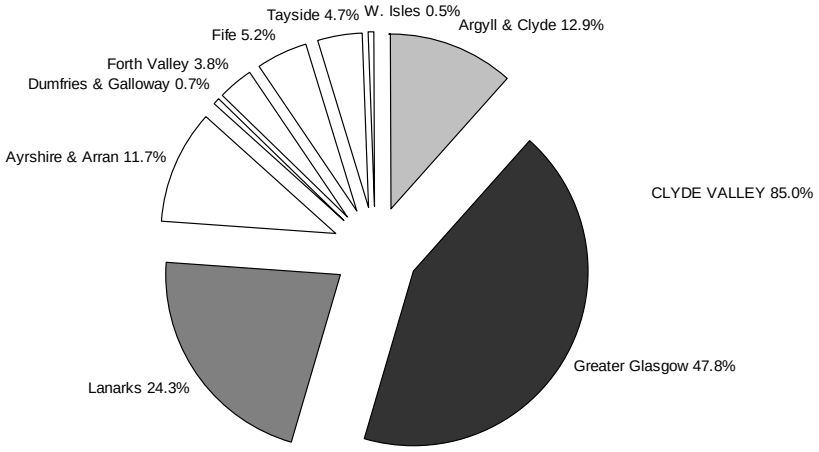


FIGURE 19 SHARE OF SCOTTISH EXCESS WORKING AGE SOCIAL SECURITY CLAIMANTS BY HEALTH BOARD AREA, May 1999



LONE PARENTHOOD: TWO VIEWS AND THEIR CONSEQUENCES

David Webster 30 August 1999

As published in I.Anderson & D.Sim (eds), Social Exclusion and Housing, Chartered Institute of Housing, 2000

The rise of lone parenthood in Britain has been interpreted in two completely different ways. These different views lead to fundamentally different approaches to public policy.

The view set out here is based on the full analyses now available of the 1991 Census and of geographical employment change in Britain. It also reflects the mainstream of US academic research, which has addressed the issue of lone parenthood over several decades. It sees the breakdown of family structures as mainly due to the stresses caused by prolonged high male unemployment in particular geographical localities, which has in turn been caused by disproportionate loss of manual jobs, mainly in manufacturing. Both mothers and fathers live predominantly in areas with excess manual labour supply, where it is difficult for either of them to get a job. Due to the loss of their employment base, these areas are suffering from comprehensive decline in terms of poverty, outmigration, dereliction and related problems. Because of their manual employment background, their housing is predominantly council housing and has suffered from the underinvestment and residualisation of the Thatcher years. This combination of circumstances shows why lone parents are poor and why their housing is bad. It also suggests that little can effectively be done to get them into work or to raise more money from the non-resident fathers unless more jobs materialise in these areas.

By contrast, the British government view – which has shown great continuity betweeen administrations - is derived mainly from outdated analyses and ideological ideas from the 1980s, supported by some more recent British research which has overlooked the geography of lone parenthood. It does not recognise the key role of geographically concentrated job losses, but sees lone parenthood as primarily an issue of attitudes and incentives. The Welfare State is considered to have been providing perverse incentives, which have encouraged women to become unpartnered mothers, fathers to abandon their families and thereafter fail to support them, and lone parents to be dependent on social security instead of getting one of the jobs which are thought to be readily available in every locality. The main requirement therefore is thought to be to reconstruct the Welfare State to change the structure of incentives so as to encourage joint parenting and paid work. Improvements in lone mothers' incomes or housing are permissible only if they do not create perverse incentives. As in the USA, there is a strong desire to cut the public cost of lone parenthood.

It is argued here that because they are founded on an empirically mistaken view of lone parenthood, most of the present government's policies will not succeed in reducing lone parents' "social exclusion" except at the margin. Some will make things worse.

The chapter begins by outlining the scale of lone parenthood and explaining how

people come to be lone parents, stressing the dominant role played by relationship breakdown. It goes on to show the weight of US and British evidence that the principal cause of rising lone parenthood in both countries is the exceptionally high and prolonged unemployment experienced in particular places. The origins of the dominant, and contrasting, "New Right" interpretation are then explained. This leads on to a critical examination of the different elements of the current public policy agenda. Finally, an alternative way ahead is briefly outlined.

THE RISE OF LONE PARENTHOOD AND ROUTES INTO LONE PARENTHOOD

There were about 1.6 million lone parent families in Great Britain in 1996 (Haskey 1998), a million more than in 1961. As a proportion of families with dependent children, lone parents have risen from 8% in 1971 to 21% in 1996. A slightly smaller proportion of children (19%) live in lone parent families, because lone parents tend to have fewer children than couples (1.7 on average compared to 1.9). But the proportion of families affected by lone parenthood is higher than 21%, because in 1996 another 8% had a step-parent (ONS 1998a). Most of the children in these families will have been through a period of lone parenthood. Lone parenthood therefore affects about one quarter of today's children.

Routes into Lone Parenthood: The Key Role of Relationship Breakdown

The great majority of lone parents (92.6% in 1991) are female. In 1996, around three-fifths of female lone parents were divorced or separated, and about a third had never been married, while only one in twenty was a widow. Among the comparatively small group of male lone parents, far more are divorced or separated (three-quarters), or widowed (one in 7). But these figures overstate the extent of unpartnered parenthood among both male and female lone parents. The general trend towards cohabitation instead of marriage has resulted in many lone parents being classified as "single" or "never married" when with otherwise identical circumstances they would previously have been classified as "divorced or separated".

Between 1979 and 1996, the proportion of women aged 18-49 who were legally married fell from 74% to 57%, while the proportion cohabiting rose from 11% to 26% (ONS 1998a). Seven out of ten first marriages in the early 1990s were preceded by cohabitation, compared with only one in ten in the early 1970s (Haskey 1995). The proportion of births outside marriage has therefore also risen enormously, from under 9% in 1971 to over 35% in 1996. However, almost all of the increase has been accounted for by births jointly registered by mother and father, who in three-quarters of all cases are living together at the same address. Kiernan et al. (1998) argue that these jointly registered extra-marital births have merely replaced previously numerous bridal pregnancies. The proportion of births registered by the mother alone has increased only slightly, from about 5% to about 8% (ONS 1998b). Nine-tenths of non-resident fathers report that they have at some time been married to, or cohabited with, the mother of their child (Pullinger & Summerfield 1997); while 85% of lone mothers say they have previously married or cohabited (Haskey 1998).

Half of lone mothers are aged over 33, and half of lone fathers over 42 (Pullinger & Summerfield 1997). Teenage lone mothers are less than one in 25 of all lone parents. Births to unmarried teenagers have risen only from 2.0% of all births in 1964 to 5.7% in 1993 (Babb & Bethune 1995). But even this small rise includes the effect of the declining popularity of marriage. The actual number of births to teenagers registered by the mother alone scarcely changed between 1978 and 1996 (Botting et al. 1998). Conception rates for teenagers have fallen markedly, from 81.5 per thousand in 1971 to 58.7 in 1995 (ONS 1998b). The Social Exclusion Unit (SEU) (1999) highlights the 90,000 teenage conceptions per year, but also shows that these lead to only 42,000 teenage births, of which only 16,000 are to under-18s and 3,700 to girls conceiving under 16.

Lone mothers do not commonly have more children while on their own. Over the four years 1991 to 1995, only one in 5 of a sample of lone mothers had a further baby and in only half these cases (i.e. one in 10) was there no new partner (Ford et al. 1998).

The great majority of lone parents therefore are in their situation because of relationship breakdown, with the ancient problem of widowhood still playing a role. Unpartnered parenthood is a relatively minor factor.

LONE PARENTS AND THEIR CHILDREN: HOW THEY LIVE

It is well known that lone parents and their children are one of the most disadvantaged groups in today's society. Most fundamentally, they are poor. Lone parents' mean household income in 1996/97 was only £160, half the level for all households (£325) and even lower in relation to that for couples with children (around £410) (ONS 1998b, p.93). In 1996, one third of lone mothers and one quarter (27%) of lone fathers had a gross weekly household income under £100. This was a far higher proportion than the 3% for married or cohabiting couples (ONS 1998a). The gap in poverty rates between lone and couple mothers widened substantially between 1984 and 1995 (Shouls et al. 1999). A new Scottish Executive survey (1999) shows over one third (35%) of lone parents worried about money "all the time" and 27% "quite often"; these proportions were much higher than for any other household type. It shows two-fifths (39%) with no bank account, compared to 12% of all householders, and only 15% with any savings at all, compared to half of all households. Berthoud & Kempson (1992) found one "problem debt" on average for every lone parent, far more than for other household types.

These low incomes and related problems reflect lone parents' dependence on social security benefits, and the inadequate level of these benefits given their extra needs (Berthoud & Ford 1996). In 1995/96, 1m of the 1.6m lone parents were claiming Income Support. This 63% proportion compares to only 10% of couples with dependent children (ONS 1998b, p.142). In 1994-96, 58% of lone parents had no employment income, compared to 34% of married mothers, most of whom will have had husbands in work (ONS 1998a, p.56).

Lone Parents' Housing Circumstances

The Survey of English Housing (EHS) 1995/96 came up with the remarkable finding that almost one third (30%) of lone parents with dependent children had experienced homelessness within the previous ten years, compared to only 6% of all households. Three-quarters of these homeless lone parents had been given accommodation by their local Council (ONS 1998b).

Lone parents are particularly dependent on renting. Of the two-thirds who formed separate households in England in 1996, almost half (49%) were renting from local authorities or RSLs, compared to only 22% of all households, and 14% were renting privately compared to 9% of all households. Only 37% were owner occupiers, far less than the 69% for all households (DETR 1998). About one in six lone parent owner occupiers with dependent children in 1995/96 was in arrears with their mortgage, four times the proportion for couples with dependent children. About one in eight lone parents was in rent arrears, but this was actually slightly less than for couple families, presumably because most had their full rent paid through benefit (Pullinger & Summerfield 1997).

Lone parents tend to live in the worse parts of the rental sectors. In England in 1996, almost one-fifth (18.0%) were living in "poor" housing conditions (unfit, in substantial disrepair or needing essential modernisation), significantly higher than the 14.2% for all households. Unemployed lone parents with infants were considerably worse off, over one quarter of them living in "poor" houses. Lone parents were particularly likely to have poor security, to lack smoke alarms, and, in the local authority sector, to lack central heating (DETR 1998). In Scotland, 40% of single parents had dampness or condensation on the surveyor's assessment, well above the 25% of all households (Scottish Homes 1997). Almost one quarter (23%) of lone parents in Britain lived in a flat compared to only 6% of other families (ONS 1998a).

Lone parents live disproportionately in poor neighbourhoods as well as in poor housing. In England in 1996, one in seven (13.4%) of lone parent households with dependent children was living in a neighbourhood offering "poor" living conditions, twice the proportion for all households. Willmott (1994) showed that in 1991 all but one of the British deprived areas had an above-average proportion of lone parent households and that between 1981 and 1991 their concentration in deprived areas increased. This concentration is also shown by SEU (1998b, p.17).

Those lone parents living in poor housing or neighbourhoods were much more concerned about the poor conditions than other types of household. Almost two thirds wanted to move, compared to well under half of all households in similar conditions, and they were twice as likely to be dissatisfied with their housing as any other type of family (DETR 1998; Pullinger & Summerfield 1997). There is some evidence that a disproportionate number of lone parents are moving out of council into private rented housing, accounting for a third of such movers (Pawson & Bramley, forthcoming). These moves are presumably to housing of better quality and would make sense given the poor accommodation they are getting from councils and

their dissatisfaction with it.

Lone Parents who live with their Parents

In 1991, over one third (35.0%) of lone parent families lived with another household (Census 1991), almost always their family of origin (Haskey 1998, p.12). The proportion of lone parent families sharing accommodation in 1991 varied quite widely, from 18.1% in Westminster to 70.5% in Dwyfor, north-west Wales, although it was mostly within the range 27%-45%. The main reason for the variation is probably not the varying availability of social housing, but whether the lone parent's own mother lives nearby. Westminster has a shortage of social housing, but it also has a large furnished private rented sector and many of its lone parents are likely to be in-migrants with no family locally. In rural Wales, social housing is also likely to be scarce but almost all lone parents are likely to be local.

A much higher proportion of these sharing lone parents than of all lone parents are in the council sector. Although it is difficult to obtain exact information, it is clear that these families are often very overcrowded. While lone parent families living separately were less crowded than other households with children in 1991 (Atkins et al. 1996, p.192), 10% of lone parent families overall in 1995/96 had at least one room less than the bedroom standard, double the proportion for other families (ONS 1998a). This implies that the minority of lone parent families who were sharing must be much more crowded than this.

The Health of Lone Parents and their Children

The health of lone parents and their children is undermined by their disadvantaged living circumstances. Lone mothers consistently have significantly worth health than couple mothers (Shouls et al. 1999). In 1991, 15% of a sample of lone parents reported a long-term or limiting illness, and 13% that they had ill children. By 1995 twice as many of these same parents said they were ill themselves, and that they had ill children (29% in each case). There was a strong association between the experience of physical hardship and the development of health problems among both parents and children. In only four in 10 of these households had the mother and children remained free of long-term or limiting illness throughout the four years (Ford et al. 1998).

The Non-Resident Fathers

It is important to remember the non-resident fathers. They also are a disadvantaged group. In 1997, the Labour Force Survey showed only 76.6% of widowed or divorced men aged 25-49 in full or part-time jobs compared to 91.1% of married men. Of the 530,400 non-resident parents (almost all men) with a Child Support Agency (CSA) full maintenance assessment at May 1997, only just over half (53.6%) were in a job (DSS 1997). In 1995/96, most British non-resident fathers had not gone on to another permanent relationship: nearly 60% were living without a partner (Bradshaw et al. 1999). There is evidence that, like the lone parents with care of the children, they are particularly likely to be homeless. SEU (1998a) noted that the single most

common reason for a first episode of rough sleeping is relationship breakdown, either with parents or partner, and that older homeless people were five times more likely to be divorced than the average for their age group. Of 335 homeless men making contact with agencies in the Glasgow Rough Sleepers Initiative in 1998/99, half were fathers. From the USA, Lindblom (1991) reported that "homelessness appears significantly more likely among extremely poor divorced or separated solitary males than among never-married single males".

Teenage fathers appear to be even rarer than teenage lone mothers. In Allen & Dowling's study (1998), only one fifth of the fathers of teenage mothers' babies were teenagers themselves at the time of birth, the average age being 23.

WHY HAS LONE PARENTHOOD INCREASED SO MUCH? - THE LINK WITH UNEMPLOYMENT

It has long been known that marital behaviour depends strongly on the economy. The English Registrar-General pointed this out as early as 1878 and an outstanding statistical study by R.H.Hooker (1901) showed the marriage rate in 1861-95 very closely correlated with the level of trade. Southall & Gilbert (1996) have recently shown that the relationship between marriage and unemployment in 19th century England was so close that parish marriage registers are a better indicator of local unemployment rates than are the available data on unemployment. Dorothy Thomas (1927, pp.100-02) showed that the illegitimate birth-rate rose and fell in England in 1854-1913 in inverse proportion to the business cycle. She suggested that this was "probably due to the restriction of the marriage-rate in times of depression".

Unemployment and Family Breakdown: The American Evidence

The Great Depression of the 1930s does not appear to have produced any statistical studies of lone parenthood. The likelihood is that it was too short (around 7-8 years) to produce marked effects on family structure, and of course social restraints on lone parenthood were at that time extremely strong. The Depression did however produce distinguished ethnographic studies (Bakke, 1940; Komarovsky, 1940) showing the severity of the stresses placed on the parents' relationship by unemployment of the father and the consequent severity of the threat of marital breakdown. This evidence was drawn upon by Daniel Patrick Moynihan when he came to write his landmark report on *The Negro Family* (1965).

It was among the black community in the USA in the 1930s to the 1960s that unemployment rates first rose high enough, for long enough, to have a marked effect on family structure. Moynihan was concerned that the prevalence of lone parenthood would prevent the black minority from realising the benefits of the formal racial equality then being enacted under the Johnson administration. He argued that high black lone parenthood was due to the "fundamental, overwhelming fact....that *Negro unemployment*, with the exception of a few years during World War II and the Korean War, *has continued at disaster levels for 35 years*" (p.20, author's emphasis). Moynihan presented an elegant chart (p.22) showing a near-perfect one year lagged

relationship over the period 1951-63 between the non-white male unemployment rate and the proportion of non-white women separating from their husbands. He also pointed out (p.47) that over the period 1948 to 1962 "male Negro unemployment and the number of new AFDC cases rose and fell together as if connected by a chain....The correlation between the two series of data was an astonishing 0.91".[1]

Subsequent to Moynihan's 1965 report, the US problem went on to get much worse, as "urban-rural manufacturing shift" intensified the shortage of blue collar jobs in the northern cities to which blacks had moved (Kasarda 1989). Katz (1989, p.28) pointed out that "major newspaper accounts omitted Moynihan's emphasis on unemployment as the great source of family disorganization", and it has often been forgotten. Nevertheless, a large body of American research went on to confirm the strength of the unemployment-lone parenthood linkage. In 1989, McLanahan and Garfinkel wrote (p.121): "Despite some gaps and anomalies, there is now a strong body of empirical research that documents that one of the costs of increased unemployment is increased female headship". It is important to note that this research includes longitudinal studies of samples of people over time, such as that of Cherlin (1976), Lichter et al. (1992) and Testa et al. (1993) as well as aggregate studies such as that of South (1985) and Wilson (1987). The evidence cannot be dismissed on the ground that "correlation does not prove causation".

Unemployment and Family Breakdown: The British Evidence

Recent British evidence has confirmed the causal link between unemployment and lone parenthood already seen in the USA. Haskey (1984) found in a cross-section study that unemployed husbands are particularly likely to divorce. A longitudinal study of 6 British towns (Lampard 1994) showed that a spell of unemployment during a year raised the chance of marital breakdown during the following year by about 70%. Kiernan & Mueller (1998) made a similar longitudinal finding using the British Household Panel Survey. The importance of unemployment is as obvious to researchers on the ground in Britain as it is in the USA. Fotheringham's comment about Birmingham's Highgate estate in 1993, "With male unemployment running at almost 50 per cent in the local area traditional male roles as provider had.....been undermined", is essentially the same as Rainwater's quote from St Louis' Pruitt-Igoe in 1970: "The men don't have jobs. The woman, she starts nagging. He don't have the money so he leaves. She ADC's it. If he had a job the family unit could come back together".

However the most powerful evidence comes from the 1981 and 1991 Censuses. In April 1981, claimant unemployment in Britain was still under 10%. It had risen above 6% for the first time since the war only in 1977, and then fallen again. But by April 1991, it had been over 10% for 25 of the previous 40 quarters and over 7% for 31 of them, with a peak of over 13% in 1983. Moreover Beatty et al. (1997) showed that by 1991 recorded unemployment was seriously below the "real" level, which they estimated at 13.0%. Not surprisingly in view of the American evidence, female lone parenthood in Britain as a proportion of all households with children doubled between 1981 and 1991, from 5.6% to 11.6%. Moreover, the higher the rate of unemployment in an area, the greater the increase in lone parenthood.[2] In 1981 there was already a

clear relationship between unemployment and lone parenthood across the 459 British local authority districts, but it was not especially strong (correlation 0.48) (FIGURE 1). By 1991 the relationship had become enormously stronger. The correlation was now a very high 0.846, and an increase of 10% in the male unemployment rate was now associated with an increase of 8.5% in the proportion of lone parents - more than four times the effect seen in 1981. By 1991, there were half as many lone parent households again (452,000) in local authority areas with above average unemployment as in areas with below average unemployment (312,300), even though the former group of areas had fewer households with children (2.95m compared to 3.62m).

It is sometimes argued that lone parenthood has increased because women have become more financially independent or less willing to put up with unsatisfactory partnerships. Such changes may have played a minor role. There are some more prosperous lone parents whose position owes little or nothing to unemployment. FIGURE 1 indeed shows that lone parenthood has risen even in areas of low unemployment. But the idea that female emancipation has had much to do with most of the rise in lone parenthood cannot be reconciled with its concentration among the poorest women in the poorest areas. FIGURE 2 shows that the areas with the highest male unemployment and the most lone mothers also have the smallest proportions of lone mothers in work, i.e. with independent incomes.

The dominant influence of male unemployment on lone parenthood is also demonstrated by cross-section multiple regression studies of 1991 Census data for local authorities (Bradshaw et al. 1996, Gordon 1996, Webster 1998). These show the statistical relationship between unemployment and lone parenthood after controlling for other factors. They use different measures of lone parenthood and different explanatory variables, but produce similar results. Male unemployment is shown to be the strongest influence on lone parenthood. Communities with large Afro-Caribbean populations are shown to have somewhat higher rates of lone parenthood, and those with large Asian populations somewhat lower, after controlling for the effect of male unemployment. Webster, like Johnston (1995), shows that higher education is not a significant factor.

As in the USA, unemployment is concentrated in the cities, and for the same reason: their disproportionate loss of manual employment due to “urban-rural manufacturing shift” (Turok & Edge 1999). However, all three regression studies suggest that there is a tendency for lone parenthood to be higher the larger the town or city, even after controlling for other factors. In Webster (1998), big cities have lone parenthood around 2% higher than rural and small town areas, other things being equal, and inner London 4% higher. It is sometimes suggested that this is due to cultural influences, but it seems more likely to result from differential migration after the birth of a child. As Gordon (1996, p.418) suggests, couple families can more often afford to move out to the predominantly owner occupied housing in suburbs and exurban areas than can lone parents.

Evidence since 1991 also supports the unemployment-lone parenthood causal linkage. The best measure of “real” unemployment on an annual basis is the TUC’s “Want

Work Rate", which shows those wanting work, whether unemployed or "inactive", as a proportion of all those working or wanting work. It peaked at 16.2% in 1993 and since then has fallen slowly to 15.1% in 1995 and 14.0% in 1997. If there is a link between lone parenthood and unemployment, the growth of lone parenthood should have levelled off, with some delay, to reflect this fall. This has indeed happened. The number of lone parents claiming Income Support peaked in August 1995 at 1.06m and since then has been falling slowly, to 0.982m in November 1997. This could in theory be due to falling claims rather than falling lone parent numbers. However, levelling off is also suggested by the General Household Survey and the Scottish House Condition Survey, although their sample sizes are too small to permit precise estimates. This incidentally implies that current official projections, based on blind extrapolation of trends from 1971 to 1991, are overestimating the future growth of lone parenthood. It should be remembered however that both "real" unemployment and lone parenthood remain extremely high in many areas, such as Knowsley, Glasgow or Lambeth.

THE BRITISH DEBATE ON LONE PARENTHOOD - MISSING THE POINT

The combination of time series, cross section and ethnographic evidence in support of the view that the rise in lone parenthood has been mainly due to localised mass unemployment is extremely powerful. Unfortunately, the British debate on lone parenthood has not reflected it. In part, this is simply the result of bad luck: minds were made up before analyses of the crucial 1991 Census results became available. For instance, the report of the Commission on Social Justice, central to the present government's thinking, was finalised in July 1994.

Much British research has also suffered from weak methodology. In particular, the Programme of Research into Low Income Families (PRILIF) by the Policy Studies Institute, funded by the Department of Social Security, has used small national samples and has not attempted to investigate the impact of varying local labour market conditions. Spurious findings have resulted to the effect that work is a realistic route of out of poverty for all lone parents, that child care is a sufficient rather than merely a necessary condition for lone parents to work, and that receipt of maintenance makes a lone mother better able to work (Ford et al. 1995, Marsh et al. 1997). A consideration of the geography shows how these findings have come about. Lone parenthood has increased most in areas of high unemployment, where lone parents cannot find work or afford childcare and where the non-resident father is unlikely to be in work and able to pay maintenance. But there are also lone parents in areas of low unemployment. They and their former partners find it much easier to get work, and maintenance is much more likely to be paid. This is what produces the observed positive relationships between working, receiving maintenance and having a higher income. But it does not follow that lone parents in areas where jobs are scarce can replicate this favourable experience.

Political ideology has also played a crucial role. The British debate on lone parenthood has been dominated by the ideas of American conservative writers, notably Charles Murray, who argued in *Losing Ground* (1984) that the rise in lone

parenthood in the USA was caused by overgenerous welfare payments, not unemployment. Katz (1989, p.152) shows how "Murray's success illustrates the role of big money in the marketplace of ideas....'the quality of Murray's intellectual goods' was not the only reason for his success". The *Sunday Times* and the right-wing Institute of Economic Affairs (IEA) sponsored Murray to apply his arguments to Britain, starting with *The Emerging British Underclass* in 1990, followed by a second visit in 1994 to write *Underclass: the Crisis Deepens*. These volumes have been heavily promoted. The IEA has also published similar work by other authors including Lawrence Mead, whose *Beyond Entitlement* (1986) is the main source of the idea now espoused by Labour ministers that benefits ought not to be paid as of right but should be "earned".

It is surprising that so many people have taken Murray's work seriously, given its overtly ideological character, intemperate language, and weaknesses of evidence and logic. Like PRILIF, *Losing Ground* lacked any consideration of the changing geography of employment. Moynihan (1986) commented that Murray had not "much addressed the data". He showed that the increase in US lone parenthood was actually accompanied by a fall in AFDC claims, contrary to what was logically required by Murray's thesis. A recent review (Lichter et al. 1997, p.136) concluded that "Little evidence exists to support the apparently widely held perception that welfare is largely responsible for the breakdown of the traditional married-couple family".

Murray's papers on Britain have sought to establish the existence of an "underclass" defined by moral degeneracy, in the form of illegitimacy, violent crime, and supposed refusal to work. As we have seen, births outside marriage are only loosely connected to lone parenthood, and as an analysis of the latter Murray's work is correspondingly weak. His 1990 paper on Britain was written before the 1991 Census and does not contain any serious statistical analysis. In 1994, in so far as he did address it, Murray found himself actually confirming for England and Wales the unemployment-lone parenthood linkage discussed here: "In 1991, the correlation between the male unemployment rate and the illegitimacy ratio in local authorities was a phenomenal +.85".[3] Unfortunately, he did not allow this evidence to influence his position.

Murray and the "New Right" have had a major influence on the policies of both Conservative and Labour governments. Margaret Thatcher (1993, p.627-9) acknowledged the influence on her of "conservative thinkers in the United States on the growth of an 'underclass' and the development of a dependency culture....We were feeling our way towards a new ethos for welfare policy....comprising the discouragement of state dependency and the encouragement of self-reliance.....and, most controversially, built-in incentives towards decent and responsible behaviour". In relation to the Labour government, it is Frank Field, former Chair of the House of Commons Social Security Committee and Minister for Welfare Reform, who has been the key conduit for New Right ideas. His book *Losing Out* (1989) - its very title a reflection of Murray's - contained most of the ideas which are currently driving Labour government policy. The government's rhetoric has become more restrained since his departure in July 1998: there have been no comments recently to match Field's "a major consequence of welfare is now the cultivation of idleness, fecklessness and dishonesty" (1997). However, the view that it is social security, not

lack of jobs, which is the main cause of worklessness is still present: the "moral case for welfare reform" is that "the benefit system .....traps people on benefit.....And....is now part of the problem - when it should be part of the solution" (Alistair Darling, Social Security Secretary, July 1999).

LONE PARENTHOOD: THE PUBLIC POLICY AGENDA

The public policy agenda in Britain has focused on removing supposed housing and social security incentives to becoming a lone parent; raising incomes by getting lone parents into work; raising more money from non-resident fathers, which in turn is also intended to deter lone parenthood; and attempting to influence family structures and parenting more directly.

Lone Parents and Housing

We have seen that lone parents are badly housed. Because they are so dependent on council housing, they need radical improvements to the neglected stock. The present government has raised public housing investment to a modest extent, particularly if improvements via stock transfers, now at a peak, are considered, but investment remains no higher than it was in about 1994/95. Lone parents also need greater preference in housing allocations; at present they tend to get worse housing than other tenants. This is partly because so many of them enter via homeless applications. As McKendrick (1995) points out, homeless families accept worse accommodation because they do not have the same right as others to refuse an offer without penalty. A "one offer only" rule is very common.

Better treatment of the homeless would therefore particularly benefit lone parents. But the New Right "incentives" theory of lone parenthood has played a major role in preventing such improvement. Margaret Thatcher (1993) wrote "most important.....was to reduce the positive incentives to irresponsible conduct. Young girls were tempted to become pregnant because that brought them a council flat and an income from the state. My advisers and I were considering whether there was some way of providing less attractive - but correspondingly more secure and supervised - housing for these young people. I had seen some excellent hostels of this sort run by the churches." There was an upsurge of such talk by Conservative politicians during 1993 (*Inside Housing*, 1/10/1993; *Housing*, Dec/Jan 1993/94). Shortly thereafter, a DoE Consultation Paper (January 1994) implied that homeless single mothers were taking council houses away from "couples seeking to establish a good home in which to start and raise a family" (Cowan 1998).

The attention paid to teenage mothers in council housing has been disproportionate. As shown earlier, there are very few teenage lone mothers; most live with their own parents, rather than in a house of their own (SEU 1999); when they do get council housing it is frequently of very poor quality; and teenagers rarely, if ever, get or stay pregnant with the purpose of getting a house (Allen & Dowling 1998, SEU 1999). SEU (1999) notes that only 2,000 16-17 year old lone mothers have tenancies; including all aged under 20 increases the figure only to 13,000 (Wilson 1994). An

Institute of Housing survey of local authority housing directors in 1993 found "no evidence that young single parents are being rehoused at the expense of two parent families", but that lone parents fared less well in the type of properties they received, and that less than half of authorities would offer immediate access to permanent accommodation (Wilson 1994).

Nevertheless, in a detailed historical analysis, Cowan (1998) has shown how the theme of queue-jumping teenage single mothers was used to prepare the ground for the removal of the right to permanent housing from *all* homeless people in England and Wales in the Housing Act 1996.

The new Labour government has picked up Margaret Thatcher's theme. Local authorities are to be prohibited from giving an independent tenancy to under-18 lone mothers, and the Housing Corporation has been told to divert £10m to pilots for semi-independent housing with support (SEU 1999). There are some obvious objections to this (Winchester 1999). While it is likely to work for some teenage mothers, it may not work for others. They may be much better off with a council flat near their own mother. We have seen that sharing lone parents - who are particularly likely to be teenagers - are very overcrowded. Limiting their alternative to a hostel, possibly miles away, is likely to induce them to prolong these bad conditions. However, the number of people involved is small. Much more serious is the associated failure to address the issue of preference in housing allocations for lone mothers and the homeless in general. The government, via regulations, not primary legislation, has restored "reasonable preference" for the homeless in the allocation of housing, and provided that any temporary private sector accommodation should be for a minimum, rather than a maximum, of 2 years. But as Cowan (1998) comments, these are changes of form, not substance. The government has not committed itself to restoring the right to permanent housing, nor taken any other action to improve the offers being made to lone parents. It has proposed (Home Office 1998, para.1.60) that "due weight" in housing allocations should be given to the needs of grandparents and extended families. The issue, however, is not usually the grandmother's housing - she is normally well-established - but the lone mother's.

Lone Parents' Incomes

The government's approach to lone parents' incomes is to remove supposed incentives to lone parenthood, and to push lone parents into paid jobs of over 16 hours per week.

The key early action of the Blair government was to implement in 1998 the abolition, already planned by the Conservatives, of the additional Lone Parent premiums (based on carefully-researched estimates of lone parents' extra costs) paid within Income Support, Child Benefit, Housing and Council Tax Benefits. It was made clear by Mr Blair after the parliamentary vote of December 1997 that the reason was the belief that these additional benefits provided an incentive to lone parenthood. He has laid down the doctrine that "there will be no return to that approach", i.e. of recognising lone parents' higher costs.

Subsequently, the government has adopted a policy of increasing benefits equally for lone-parent and couple families, while removing support for the higher costs of older children. It thinks that lone parents should not stay at home until their child has left school but should get a job. The net effect of the various changes is that a new (or reclaiming) lone parent with one child over 11 will still be about £2.20 per week worse off in April 2000 than she would have been had the 1998 cuts never been made. A new lone parent with one child under 11 will have had her benefits restored to the pre-cuts level only in April 1999. Only in October 1999 will she be better off by more than a few pence. Lone parent claimants who are private tenants have also (in 1998) lost support for any difference between their actual rent and the local "reference rent". There is no sign of restoration of Single Payments for major household items, which would help to keep lone parents out of debt and make rehousing of the homeless easier. Instead, the government remains among lone parents' many creditors via the Social Fund inherited from the Thatcher years.

Mr Brown's three Budgets taken together will have made 15.1% of households with children in the poorest decile of equivalised post-tax household income worse off than they would have been under the policies prevailing prior to May 1997; many of these are lone parents (Immervoll et al. 1999). Income Support remains below the Family Budget Unit's "low cost but acceptable level" (Parker 1999), and improvements are being substantially financed by redistribution between different categories of lone parent. The doctrine that any extra help for children of lone parents must also go to children of couple families means both that the huge income differential between the groups cannot be closed and that the cost of any given improvement for lone parents is made much higher. Moreover, because lone parents are geographically concentrated in the areas of highest unemployment, cuts to their benefits have a further "multiplier" effect in impoverishing these areas.

Lone Parents and Work

The government conceives the problem of getting lone parents into work as essentially an issue of labour supply (whether lone parents offer themselves for employment) rather than of demand for labour by employers. Hence the supply-side "welfare-to-work" New Deal for Lone Parents (NDLP). But the evidence shows that lack of jobs is indeed the principal problem. The relationship between the proportion of lone parents in work and the local unemployment rate in 1991 was extremely close (correlation -0.89).[4] The proportion in work varied from three-fifths (60.5%) in booming South Cambridgeshire, where male unemployment was only 4.7%, to one-fifth or less (16.0%-20.5%) in the declining areas of Knowsley, Glasgow and Liverpool, where male unemployment was over 20% (FIGURE 2). In other words, lone parents who want to work will get jobs if they are available in their area, otherwise they will not. This is similar to the position in the USA: "living in states with low rates of unemployment....increases the likelihood of working (of lone mothers) by nearly half" (IWPR 1995). The problem is compounded by the fact that *all* of the New Deal target groups which the government wishes to get into work are disproportionately concentrated in the highest unemployment areas, making the strategy unrealistic unless more jobs are created there (Turok & Webster 1998). But the government has few programmes to promote jobs in these areas.[5]

There is abundant evidence from the USA that a welfare-to-work strategy for lone parents either does not work, or does so only at the cost of great hardship for the mothers and their children. Pugh (1998) and Ihlanfeldt & Sjoquist (1998) have established that, as in Britain, there is a deficit of "entry-level" jobs in the cities and that the existence of "spatial mismatch" prevents their residents from accessing jobs elsewhere. Edin & Lein (1997) show that "In the present labour market, unskilled single mothers who hold jobs are frequently worse off than those on welfare". The Nobel prize-winning economist Robert Solow has pointed out (1998) that US welfare to work programmes, while placing a lot of people in jobs, have only tiny effects on their subsequent employment probabilities. He derides the "Panglossian error" that all the problems lie on the supply side of the labour market: the belief that "kennel dogs need merely act like bird dogs, and birds will come" (a "bird dog" is a retriever). He argues that there is a need for more relevant jobs to be created in the right places.

The initial results of the UK NDLP have been predictably poor. Over the first 6 months, 163,383 letters were sent to lone parents, of which one quarter (23.9%) led to an interview, one fifth (19.6%) to an agreement to participate, and - most important - only 3.8% in an actual job (DfEE Press Release 99/052, 5/3/1999). Many of the 3.8% would have got a job anyway, so the true success rate was even lower.

In June 1997, when Tony Blair launched the NDLP on the Aylesbury estate in Southwark, Downing Street "insisted there was no question of single parents being 'hauled' into job centres and forced to take part in interviews." (*The Scotsman*, 2/6/1997). However by 10 February 1999 the *Daily Mail* was proclaiming "Mr Blair has been dismayed by the low take-up of the Government's New Deal package by lone parents. The vast majority - about 94% (*sic*) - simply ignore invitations to voluntary interviews". Mr Blair himself, writing exclusively in the same edition, stated "It marks the end of a something-for-nothing welfare state. The days of an automatic right to benefit will go. It's tough, but the right thing to do.....In future, lone parents will have to come for an interview or risk losing their benefits."

There has been relatively little protest about these proposed benefit "sanctions" under the new "ONE" service or "single gateway". But evidence from the New Deal for Young People suggests that they could cause serious problems. There, sanctions have risen to an annual rate of 18,500, including a full one quarter of those allocated to the Environmental Taskforce, and are concentrated on the most socially excluded in high unemployment areas (Bivand 1999). These "sanctions" will operate alongside those in the government's Sure Start Programme for the under-3s. A Maternity Grant worth £200 will be paid to Sure Start mothers, but only on condition that they keep appointments for child health advice and check-ups. It is difficult to reconcile this with the reference in the Home Office's consultation paper "Supporting Families" (1998, para.1.41) to "parents (who) lack confidence initially to visit more formal services". It is precisely the most disadvantaged mothers who are likely to lose grant.

The direct persuasion of the NDLP and "ONE" is being backed up by increasingly large financial inducements to work. A new Working Families Tax Credit (WFTC) is to be paid from October 1999 to every family with an earner working over 16 hours a

week, giving a minimum income guarantee of £200 per week to those on 35 hours. The WFTC will include more help with childcare costs than the existing Family Credit. Lone parents will also now continue to receive Income Support in their first two weeks in a job. Married couple's allowance is to be replaced (after a 12-month gap) by a children's tax credit which will benefit those few lone parents who are both working and earning enough to incur a sufficient tax liability. The "poverty trap" created by Housing Benefit (HB) for those in work is being considered in a government review in progress at the time of writing. The obvious approach is to reduce social housing rents, which have been raised enormously since 1979 and have been the main cause of increased HB expenditure. But indications are that the government is more likely to reduce HB than to reduce rents.

Bearing in mind their "supply-side" nature and experience to date, the whole package of government measures seems likely to increase the number of lone parents in work very little. The Institute for Fiscal Studies has estimated that the WFTC, as originally announced, would add only 10,000 to 45,000 workers to the labour pool (*Financial Times*, 11/2/1999). But since the in-work benefits go to *all* lone parents in work, including those already in a job, they have a high public expenditure cost and will effect a substantial redistribution of income to lone parents in full-employment areas, mainly in the south of England, leaving those in high unemployment areas relatively unaffected.

Even if lone parents can be got into paid work, there is a question whether they ought to. Half of lone parents on Income Support have a child under school age (Hansard, 7/12/1998) and even where children are older, loss of time with the child can be particularly damaging where there is only one parent for most of the time, and where the family is living in a disadvantaged neighbourhood where a parent's presence is especially important in keeping children out of trouble. It has also been argued that work on top of child care can often be too stressful (e.g. Shouls et al. 1999). Edwards and Duncan (1997) show that different groups of lone mothers have differing, but deeply held, views on this question.

The government's emphasis on expanding child care provision has been generally welcomed, although it has been objected that it is not being well targeted to lone parents (*Financial Times* 18/12/1997). But there has been criticism of the idea that "the government values the act of looking after strangers' children, but puts none on the demanding work by a parent looking after his or her own child" (*Financial Times* 18/2/1999). Many lone parents cannot earn enough to make paid childcare worthwhile; is the combination of 16+ hours' paid work for the mother and professional childcare for the children so beneficial as to justify extensive public subsidy?

The message from lone parents themselves seems to be that many really do want opportunities for work, training, and child care. Almost half (44%) of those voluntarily signing up for NDLP have children under 5. However, some think they either ought not to work or should not work so much as to detract from their role as parents; this may mean working less than the arbitrary lower limit of 16 hours a week applied to WFTC and Child Care Tax Credit. It would be sensible to take more notice

of what they think.

Non-Resident Fathers and Maintenance

The treatment of non-resident parents is still bedevilled by the misconceptions of the 1980s. Margaret Thatcher wrote (1993, p.630): "I was.....appalled at the way in which men fathered a child and then absconded, leaving the single mother - and the taxpayer - to foot the bill and condemning the child to a lower standard of living.....So.....I insisted that a new Child Support Agency (CSA) be set up, and that maintenance be based not just on the cost of bringing up a child but *on that child's right to share in its parents' rising living standards*" (emphasis added). The CSA, which commenced operations in 1993, was designed on the basis of these views, before the 1991 Census results came out, and in the almost complete absence of research on non-resident parents. None of the key assumptions on which it was based are correct.

Most non-resident fathers do not appear to be irresponsible in fathering their children; only 9% have never lived with the mother (Bradshaw et al. 1999). Most do not have "rising living standards". The "drastic decline in levels of child maintenance that occurred during the 1980s" which the CSA was "intended to stop" (DSS 1999, p.1) was not due mainly, if at all, to irresponsibility but to the fact that the additional lone parent families were mostly the product of mass unemployment of the children's fathers, who thus had far less money to pay. Bradshaw et al. showed that, far from "absconding", almost three-quarters (72%) of British non-resident fathers were in contact with their children's mother, with over half (55%) claiming an amicable relationship with her. Two-thirds (68%) were seeing their children at least once a month and almost half (47%) at least once a week.

They were also paying a significant amount of maintenance without any urging from the CSA. Over half (57%) were currently paying maintenance and three-quarters (77%) had ever paid. Only just over half of payers (57%) had ever had a formal arrangement (CSA, Court etc.) to do so. Payers were giving £60 per week on average in formal and informal support, 21% of their income. Most non-payers were giving some informal support, with only 14% of fathers having never given some informal support. The fact that three-quarters of current payers had jobs, compared to only a quarter (28%) of those who had never paid, goes a long way to explain why the proportions paying and amounts paid are not higher. Bradshaw et al. classified only half (49%) of non-resident fathers as having "certain" or "probable" paying potential, and two-fifths (38%) as having none.

The CSA's own statistics for May 1997 confirm the extent of non-resident fathers' poverty. In respect of the better-off group of 149,700 lone parents who were not themselves on Income Support, two-thirds of former partners had jobs and one quarter (26.3%) were on social security. However, of the 380,700 former partners of lone parents who were on Income Support, less than half (47.8%) had jobs, and almost as many (46.6%) were themselves on social security. The level of maintenance assessments reflected this. Two-fifths (212,900) were nil, and a further one in 7 was for under £5 per week, so that overall, half were for less than £3.34.

The CSA has been one of the greatest administrative disasters of recent times. The proportion of lone parents on Income Support receiving maintenance is no greater now than before the CSA was introduced (DSS 1998). In 1997/98, administration costs took 41p out of every £1 collected or arranged - much of which would have been paid anyway. The Treasury received so little (£141m or about 3% of lone parent IS costs) that the CSA operation had a net public cost of £85m. Over one third (38.3%) of absent parents with an assessment were in arrears or not paying at all, and there was a backlog of 407,000 unprocessed cases. Finally, one quarter (26%) of maintenance assessments were inaccurate (1996/97figures, *Guardian*, 23/7/1997).

Experience in the USA, which provided the model for the CSA, has been similar: "Federal efforts to improve the collection of child support from fathers appear to have little effect on payments" (Garfinkel et al. 1998). Johnson et al. (1999) point out that US noncustodial parents have often been vilified as "deadbeats" who have dropped out of their children's lives, and have been the target of largely punitive enforcement policies. They argue on the basis of experience that they are likely to respond better to a less adversarial and more supportive approach which gives more consideration to the complex circumstances of their lives. The same is likely to be true in Britain.

However, the government has not seen the need to question the fundamental assumptions. "We know why (the CSA) failed. The formula for calculating maintenance was too complicated, and too little benefit.....went to the children" (DSS 1999, p.viii). It proposes to simplify the maintenance formula, raising more money generally from poorer fathers and bringing more poor fathers into the net; to toughen the sanctions for non-payment, introducing fines and even prison; and to allow lone parents on Income Support, for the first time, to receive some benefit - the first £10 per week - from the maintenance paid. But in the commonest case - particularly in high unemployment areas - the non-resident parent will be on benefit himself and only liable to pay £5, and in many cases he will already be paying at least this much unofficially. In the usual case where there is no second family, the £10 figure will only be reached when the father's income reaches £110-£118. The actual benefit to children, and any reduction in the over 70% of lone mothers on Income Support who seek to avoid making a child support application, are likely to be small. Working lone parents on WFTC, by contrast, will keep all maintenance paid, and will not even have to cooperate with the CSA. This will further widen the gap between poor people in high unemployment areas and better off people in prosperous areas.

A MORE REALISTIC WAY AHEAD

The government has a great deal of policy on lone parenthood. But too little of it will achieve its objectives, while much will be experienced by lone parents as positively threatening, adding new stresses to what is already one of the most stressed social positions in modern Britain.

Whatever other policies are followed, it is essential quickly to raise lone parent benefits: today's generation of children are only young once. With the "incentives"

theory of lone parenthood discredited, there is no reason to fear that this will make the problem worse. In the longer term, the real issue is not the Welfare State but the male unemployment and related undermining of men's economic role which this paper has shown is the principal cause of increased relationship breakdown. "Supporting Families" (para.6.6) does in fact get to the root of the issue in a single brief paragraph about the problems facing young men - what is jocularly referred to in Whitehall as the "lads and dads" agenda. "Increasingly, boys and young men seem to have difficulty maturing into responsible citizens and fathers. Declining educational performance, loss of traditional 'male' jobs, the growth of a 'laddish' anti-social culture, greater use of drugs, irresponsible teenage fatherhood, and the rising suicide rate may all show rising insecurity and uncertainty among young men". With the exception of "irresponsible teenage fatherhood" - shown above to be rare - this is mainly an accurate list of problematic *reactions* to men's worsened economic prospects. But to mention the main *cause* of the problems - loss of traditional "male" jobs - within this list of effects reveals the lack of a coherent analysis.

Reasons have already been given for thinking that the purely supply-side approach of the government's New Deal is not going to work for the areas where lone parents are concentrated, which are those with the greatest shortage of jobs. An effective policy on employment requires to operate on two levels: first, to address the overall loss of blue collar jobs resulting from the rundown of manufacturing, and second, to deal with the problems which have caused the cities, coalfields and some other places to lose disproportionate numbers of blue collar jobs. The issue of British policy towards manufacturing involves considerations which go well beyond the scope of this book. All that can be done here is to flag up its importance. The same however is not true of "urban-rural manufacturing shift". This is a question of spatial planning which is intrinsically related to housing, since any housing system must be based on a well-functioning home-workplace relationship.

Turok & Edge (1999) comment that their study of the geographical pattern of employment change "has revealed the overriding importance of taking action to increase labour demand in and around the cities.....there is a particular need to expand employment opportunities for blue collar workers, and greater effort and resources should be devoted to this important challenge by all levels of government". This mainly requires more spending on derelict land and infrastructure, since Fothergill et al. (1985) and others have shown that the main factor driving blue collar jobs out of the cities is the lack of suitable sites and premises. This in turn would help to relieve the problems of declining demand for housing in the cities, and excessive pressure for new housebuilding in the shires. A reduced rate of family breakdown would reduce household growth, relieving pressure for new housebuilding all round. At the end of the day, policies for lone parenthood are a second-best. Ideally, we want families to stay happily together.

NOTES

1 AFDC stands for "Aid to Families with Dependent Children". Although this benefit, introduced under Roosevelt, was available to all low income mothers, most claimants in the last few decades until its abolition in 1996 were black lone parents.

2 For most districts, male unemployment was almost the same in 1991 as in 1981 so that either figure is a good guide to the level over the decade. See Webster (1998).

3 See Webster (1997) for a discussion of Murray's attempt to avoid the obvious implication of this finding.

4 This correlation is between the proportion of lone parents in work and the logarithm of the unemployment rate. The adjusted R^2 (i.e. proportion of variation in the percentage of lone parents in work explained by the log of the unemployment rate) is 0.79. The unemployment rate has been logged to produce the straight-line relationship required to calculate a correlation coefficient.

5 The "New Deal for Communities" does very little to promote jobs as such; it is mainly a labour "supply-side" programme, like the other New Deals.

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FIGURE 1: GB DISTRICTS: FEMALE LONE PARENTHOOD BY MALE UNEMPLOYMENT, 1981 AND 1991

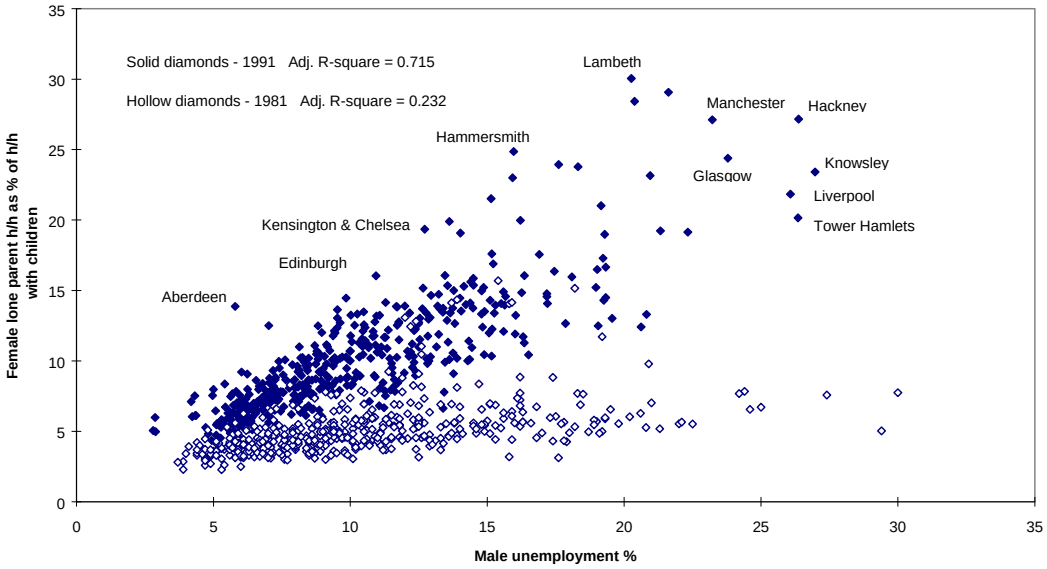
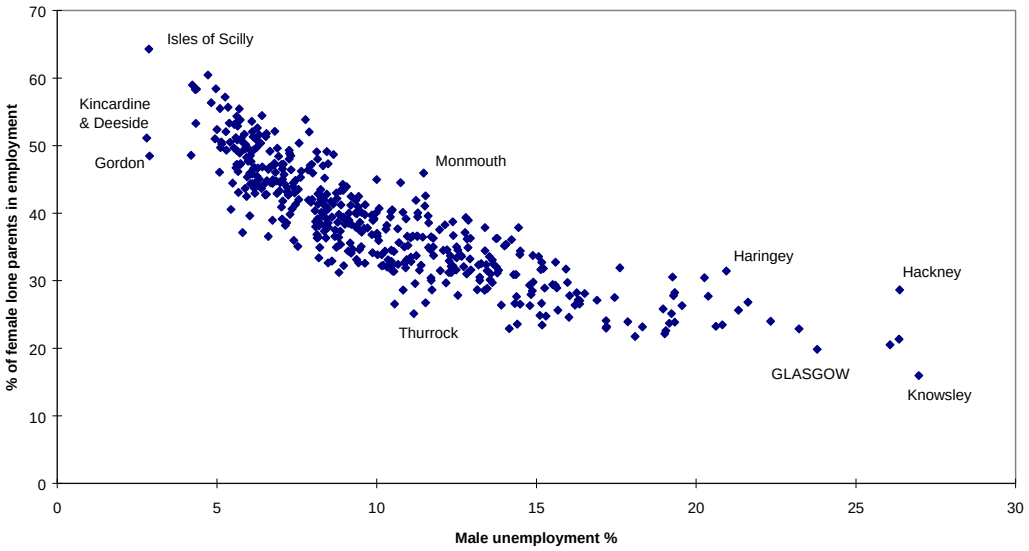


FIGURE 2: PERCENTAGE OF FEMALE LONE PARENTS IN WORK BY MALE UNEMPLOYMENT - BRITISH LOCAL AUTHORITIES 1991



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MALE WORKLESSNESS

AND THE RISE OF LONE PARENTHOOD IN BRITAIN*

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MALE WORKLESSNESS

AND THE RISE OF LONE PARENTHOOD IN BRITAIN

ABSTRACT

Deindustrialisation has eliminated many traditionally male jobs in Great Britain. Using geographical comparisons based on Census data, this paper estimates that the resulting fall in male employment explains between 38% and 59% of the 1.16m increase in lone parent families over the period 1971-2001. The impact was greatest in the areas which suffered most from industrial decline. Higher male employment would help to contain, and maybe reverse, the growth of lone parenthood, by reducing inflows into lone parenthood and increasing outflows through re-partnering and consequent stepfamily formation. Female employment is found to have no consistent net effect on lone parenthood.

Keywords: Lone parents, lone parenthood, lone motherhood, female headed families, family structure, unemployment, worklessness.

JEL classifications: I32, J11, J12, J16, J68, J69

The large and rapid increase in lone parenthood since the 1970s is one of the most profound social and demographic changes in modern Britain. The Census shows an increase from about 4.3 % of families with dependent children in 1961 to 25.6 % in 2001, or in absolute terms from 0.294m to 1.788m. The change relates almost entirely to female lone parenthood: male-headed lone parent families increased only from 0.9 % to 2.6 % over this period. Britain now has a very high level of lone parenthood by international standards. A recent comparison, by Bradshaw and Finch (2002), including 22 countries comprising most of the OECD, found that Britain had the third highest proportion of lone parent families. National census data for 2000/01 indicate that in the UK lone parent families were 25% of all families with dependent children as compared to 27% in the USA and 29 % in New Zealand.

Stepfamilies, including those with unmarried partners, have also increased. In 2001, 9.7% of families with dependent children in Great Britain were stepfamilies, up from 6.7% in 1991 (Haskey 1994). By 2001 over one third (35.3 %) of dependent children were in lone parent families or stepfamilies. In eight local authorities, including the big cities of Manchester, Glasgow, Nottingham and Liverpool, more than a half of dependent children were living with a lone parent or in a stepfamily.

Lone parenthood is generally agreed to be problematic because of its close linkage with poverty, for both parents and children (Kamerman et al. 2003). In the UK, although the majority of poor children are in couple families, children in lone parent families are at much greater risk of being in poverty than those in couple families, 50% compared with 23% on the After Housing Costs measure and 35% compared with 18% on the Before Housing Costs measure (Table 1).

There is a large body of evidence that the children of lone parents are statistically disadvantaged, in terms of lower educational attainment, worse health and involvement in crime or antisocial behaviour, although there is continuing debate as to how far this is due to poverty and how far to other factors, such as weak supervision or the absence of a male role model (Ginther and Pollak 2004; Amato 2005; Spencer 2005; Walker and Zhu 2005). Much distress results from the separation of children from one of their parents, while there are strong indications that living apart from their families has damaging effects on men's behaviour (Akerlof 1998; Nock 1998). There is also a great deal of evidence that, even if a lone parent finds a stable partner, children fare less well on average in a stepfamily than they do with both their natural parents (e.g. Daly and Wilson 1998; Case, Lin, and McLanahan 2000; Ginther and Pollak 2004).

The rise in female lone parenthood in Britain has coincided with a large fall in male employment and a large rise in female employment. Not surprisingly, a number of authors have suggested that these employment trends have had a causal impact on lone parenthood. Evidence reviewed below suggests that being out of work or in unstable employment has powerful effects on the father's position in the family, through such things as his lack of financial contribution, lowered status, and increased interpersonal

tensions, and that this tends to undermine stable partnering. It also makes men into less desirable future partners, thereby reducing the incentive for women to enter into long-term commitments such as marriage. There is a large literature arguing this link, especially for the USA. It has also been suggested, on the basis of less strong evidence, that female employment prospects can influence lone parenthood.

In Britain, there has been to date no comprehensive statistical investigation of the link between the changing employment prospects of men and women, and increasing female lone parenthood. This paper sets out to fill the gap, using data on local authority areas and sub-regions from the four Censuses of 1971, 1981, 1991 and 2001. This data source does not provide longitudinal information, but it has the advantage of covering a much longer time span than micro-surveys such as the BHPS which began too late to capture the effect of the big employment shocks of the 1970s and 80s. The paper concludes that the rise in male worklessness has been a major factor behind the rise in lone parenthood. It also finds that, on balance, rising female employment has not significantly affected the rate of lone parenthood.

The paper is laid out as follows. Section 1 gives some definitions. Section 2 explains the focus of the study and reviews the earlier literature on the links between employment and lone parenthood, in the USA and Britain. Section 3 gives a statistical description of the changes in lone parenthood and employment in Britain in 1971-2001. Section 4 reports an econometric investigation of the link between lone parenthood, male and female employment, and certain other variables. It also investigates briefly the factors that influence the formation of stepfamilies. Finally, Section 5 considers briefly the implications of our findings. An appendix gives details of methods and data.

1. Definitions

In this paper lone parenthood is defined as the proportion of families with dependent children who are headed by a parent who has no partner living with them. This definition is considered to be the most relevant to public policy. The data refer to Great Britain and are drawn from the decennial Census of Population. Census definitions therefore apply. "Families with dependent children" include both married and cohabiting couples as well as lone parents. They also include families living as part of another household. In 2001, there were 237,000 such lone parent families, out of a total of 1.788 million lone parent families. Ideally, this paper would consider only female-headed lone parent families, but the necessary data are not available (see Appendix). In practice the inclusion of male lone parents makes no material difference since, as already noted, their numbers are small and have changed little; most male lone parenthood has always been due to the death of the mother.

This paper does not consider marital status, which is no longer an adequate indicator of the family structure of children born outside marriage (Sigle-Rushton and McLanahan 2002). In Britain, the proportion of couples with dependent children who are cohabiting rather than married has increased from 4 % in 1986 (Haskey 2001) to 15.5 % in 2001. Cohabitation is not completely unrelated to lone parenthood, because on average

cohabitations are less stable than marriages, and are more likely to lead to lone parenthood (Ermisch and Francesconi 2000). But this issue is not explored here. To the extent that marital status plays a role in our analysis it functions behind the scenes as an unspecified intermediate variable.

Because it uses Census data, this paper is concerned with the stock of lone parents at discrete points in time. Flows into and out of lone parenthood are considered only indirectly through their impact on the stock. However, such flows are important for interpreting our findings. There are three routes into lone parenthood: partnership breakdown (divorce, marital separation or termination of a cohabiting relationship); having a child outside a partnership; and death of a partner. In 2001, half (52.5 %) of female lone parents were separated or divorced, 4.4 % were widowed, and 43.1 % had never been married. Since many of the latter must have conceived their children during a previous cohabiting relationship, it is clear that partnership breakdown is the major route into lone parenthood. There are also three routes out of lone parenthood: re-partnering by the lone parent, into a marriage or cohabitation; exit of the child(ren) from dependency by growing up; and departure of parent or child from the family through death, adoption or some other route. Repartnering is the major route out of lone parenthood. For a 1991 British cohort, it accounted for approaching two-thirds of final exits by 1995 (Kiernan, Land and Lewis 1998), although by 2001 this proportion had fallen, and 43 % of the cohort had not exited at all (Marsh and Vegeris 2004).

It is sometimes suggested that some reported lone parent families are not really lone parent families at all, but are actually couple families where the presence of the male is being concealed in order to improve the mother's position in relation to state benefits or tax credits. However, all of our data are drawn from the Census, whose strict confidentiality rules make such concealment unnecessary. None of the extensive work undertaken to investigate underestimation of population in the 2001 Census has suggested that any significant number of 'usually resident' men were omitted from Census estimates of lone parent families.

2. The Link Between Worklessness and Lone Parenthood: Previous Evidence

There is pre-existing evidence that male worklessness can affect all three of the routes into female lone parenthood, by increasing partnership breakdown, by reducing the attractiveness for the woman of establishing a partnership in the first place, and by increasing male mortality. Female employment prospects have been argued to affect lone parenthood, but different authors have suggested effects which work in opposite directions: some have argued that rising female employment would increase partnership breakdown, while others have argued that it would reduce un-partnered births.

Empirical academic work suggesting a causal link between male worklessness and female lone parenthood goes back a long way, in both Britain and the USA. A summary of the pre-second world war research evidence for both countries is in Webster (2000). There are also a number of theoretical reasons why there might be such a link. In an area where

male worklessness is widespread, many men are 'not worth marrying' in a narrowly economic sense. It is better for women to maintain their own benefit entitlement as a lone parent. Also, if the supply of 'marriageable' men is very limited, why delay having a child in the hope of finding a suitable partner, if there is sufficient welfare support available to make life tolerable as a lone mother? These points are not considered further here. For an extended discussion of them see Morgan (1999) and Willis (1999); for an up-to-date review of the theoretical economics of the family, see Ermisch (2003).

In recent times, the bulk of relevant empirical work has been in the USA, focusing particularly on the black minority. It was among this group that unemployment rates first rose high enough, for long enough, to have a marked effect on family structure. The landmark study was by Moynihan (1965), who drew on interwar ethnographic studies and his own statistical work to argue that high black lone parenthood was due to the "fundamental, overwhelming fact...that *Negro unemployment*, with the exception of a few years during World War II and the Korean War, *has continued at disaster levels for 35 years*"(p. 20). This lead was followed by later researchers. In particular, Wilson (1987) concluded from time series evidence that the rise of black female-headed families could be substantially explained by a fall in the availability of economically attractive ("marriageable") men caused by rising inner city unemployment and related factors. This view has been challenged, for instance by Wood (1995), and a lot of attention has been given to the alternative argument by Murray (1984) that female lone parenthood has been encouraged by welfare payments. In a wide-ranging review and meta-analysis, Moffitt (1997) concluded that welfare does have incentive effects on marriage and fertility, although findings differ widely about the scale of the effect. Curtis (2006) points out that American studies typically ignore housing costs and subsidies and hence underestimate the scale and impact of welfare benefits. Avoiding this pitfall, she finds strong evidence that housing subsidies and other welfare benefits encourage lone parenthood. Nevertheless, there is still strong academic support for the importance of male unemployment in raising female lone parenthood in the USA. In their study of fragile families, Carlson et al (2002) found that "economic stability of the male partner appears to be an important criteria (sic) for whether mothers are willing (or able) to set up a household with the father of their child(ren)"(p. 17), echoing earlier findings by Edin and Lein (1997) and Cherlin (1998). Moehling (2005), in an unusual study using data from 1910 to 1970, finds that, for whites at least, welfare policy has been a causal factor behind the growth of lone parenthood over the past fifty years. However, she also argues that other factors were more important, especially for the black population, of which she singles out particularly the worsening of the male labour market and consequent decline in the returns to marriage. Neal (2004) argues that labour market conditions act in combination with the welfare system. A severe decline in the supply of "marriageable" less educated black men in the USA from the 1960s onwards coincided with an expansion of welfare programs for never-married mothers. As the supply of suitable men dried up, these welfare programs made it feasible for women to raise children without a male partner. Thus, the trigger which set off the explosion in extramarital childbearing was the collapse of male employment, but this explosion was made possible by the presence of an alternative form of support in the form of welfare benefits. A similar argument may also apply in Britain, where there was already an extensive welfare system in place when the collapse of male employment in traditional activities such as mining and manufacturing occurred.

New Zealand is the other country that has a higher rate of lone parenthood than Britain. Morgan (2004) argues that important factors behind the modern increase in lone parenthood in New Zealand were the collapse in employment opportunities for less-skilled men during the 1980s and 1990s together with a switch in welfare policy towards means-tested benefits that favour lone parenthood. Most affected by these developments was the Maori population amongst whom lone parents now account for approximately 44% of families with dependent children, as compared to 23% for Europeans[1]. Between 1986 and 1991, due to the crisis in manufacturing industry, the Maori unemployment rate rose from 12% to 24% for men and from 19% to 24% for women (Statistics New Zealand 1998). For the non-Maori population as a whole the increase was much smaller – from 6% to 9%.

In postwar Britain, unemployment did not affect any population group on a large scale until the later 1970s, while really big increases in lone parenthood did not occur until the 1980s. It is not surprising therefore that the thesis that male worklessness is a factor in lone parenthood did not emerge in Britain until the 1990s, when for the first time the 1991 Census gave a full picture of what was happening. In recent years the view that lone parenthood is related to male unemployment has gained ground. In studies on the most important route into lone parenthood, Haskey (1984), Lampard (1994) and Kiernan and Mueller (1998), using different sources, all found that a husband's unemployment makes marital breakdown much more likely. On the alternative route of non-marital childbearing, studies by Ermisch (1991; 2002) produced evidence that unemployment has a positive effect. Del Bono (2004), using longitudinal data based on Local Education Authorities (LEAs), produced stronger findings than Ermisch. She found that area-specific male unemployment rates were both positively related to out-of-wedlock births and negatively related to the formation of a cohabitation or marriage.

Turning to studies on stocks, Gordon (1996), reporting a cross-section analysis of 1991 Census data for LEAs, found that male unemployment was much the most significant of the variables affecting the proportion of lone parents, and observed that this tended to support Wilson's (1987) hypothesis. Bradshaw et al. (1996) drew similar findings from the 1991 Census. . Bradshaw et al. (1999) found that 17 % of their 1995 sample of "absent" fathers were officially unemployed, and that a total of 34 % were workless; these are much higher rates than in the general population. Kiernan et al. (1998) drew attention to the rise in male unemployment as a factor promoting divorce and reducing the attractiveness of men as marriage partners. The latter observation was confirmed by Borooah (2002), who showed that men without employment are less likely to be married, and more likely to cohabit or to be unpartnered.

Evidence on the influence of women's employment on lone parenthood is less clear. In the USA, Ross and Sawhill (1975) argued, as indeed did Wilson, that increased lone parenthood among white women was due to improved employment prospects, because it enabled them to do without an unsatisfactory male partner. This type of argument is often heard also in Britain. It is also argued that higher female employment *reduces* lone

[1] These figures are authors' estimates based on data contained in Tables 1.02 and 1.05 of Statistics New Zealand (2003).

parenthood, because the availability of an attractive alternative to early motherhood discourages un-partnered births. The findings of Olsen and Farkas (1990) are consistent with this view. Ermisch (2002) notes that his own findings on pre-marital births, mentioned earlier, are capable of interpretation in terms of either male or female employment prospects.

The overall conclusion from earlier studies is that declining male employment has encouraged lone parenthood, but that any impact of rising female employment is likely to be smaller and of uncertain sign. This is because two effects are postulated which would work in opposite directions.

In spite of the fragmentary, but consistent, evidence for the importance of declining male employment in the rise of lone parenthood, such a link is far from generally accepted in Britain. To our knowledge, no UK government analysis has investigated, let alone accepted, the possibility that the rise in lone parenthood might be causally related to the decline in male employment. Typically, it has been presented as an independent demographic trend, for instance in HM Treasury/Department of Work and Pensions (2001) (p.16). Essentially, the British debate remains inconclusive because comprehensive statistical analysis has been lacking.

3. Lone Parenthood and Employment in Great Britain 1971-2001: Statistical Description

To explore the relationship between employment and family change, we use the decennial Census of Population to focus on the geographical variation in lone parenthood over the period 1971-2001. This period is long enough to include both the great industrial decline and the massive growth in lone parenthood. We divide Great Britain into 120 areas with consistent boundaries. In 2001, these had a median population of 284,000, ranging from 67,735 (Scottish Islands) to 2,208,609 (Strathclyde region). Details are given in the appendix.

Looking first at the national level, the rise of lone parenthood has been matched by equally striking changes in male and female employment. The employment rate for working age men (16-65) was already falling in the 1960s but was over 90 % until 1975. It fell to 77.5 % and then to 75 % in the deep recessions of 1979-83 and 1991-94; since then it has recovered only to 79 %. By contrast, the female working age (16-59) employment rate has risen from under 50 % in 1963 to 70 % by 2005. The increase in lone parenthood has closely matched these changes. This is shown in Figure 1, which includes Labour Force Survey (LFS) estimates for lone parenthood in 1992-2006 as well as Census figures for 1971-2001. To make the relationship clearer, this chart is presented in terms of non-employment rates rather than employment rates.

In the local level analysis, we restrict our attention to persons in the age group 16-49 who are not full-time students. We describe anyone in this group who did not have a declared employment in the Census as “workless”. Official unemployment statistics provide a misleading picture, because they have been affected by the large movement of

unemployed men on to sickness benefits since the late 1980s (Beatty et al. 2000; Bell and Smith 2004). Particularly for men, "worklessness" offers a more consistent measure. To a considerable extent, it is a proxy measure, since not all the relevant men are without work at a point in time. There is a large segment of the labour force for whom the experience is intermittent worklessness, interspersed with low paid jobs (Summers 1990). Official unemployment series also fail to reflect the secular rise in female labour force participation which has accompanied the growth of employment opportunities for women in the service sector.

Between 1971 and 2001, male worklessness increased in all of the 120 areas considered in this paper - by between 3.6 percentage points in Surrey and 21 points in Newham. By the end of the period, in many large conurbations, it was over 20 %. At the same time, female worklessness has fallen in almost all areas, by up to 27 percentage points in Highland region and 34.8 points in the Scottish Islands. Only in six inner London boroughs has there been an increase in female worklessness. Changes in lone parenthood are strongly correlated with changes in both male (0.78) and female worklessness (0.66), and lone parenthood is now heavily concentrated in the areas which have both high male and high female worklessness.

The national changes in employment and family structure therefore conceal a great diversity of local experience. On the one hand there are areas which have seen only modest falls in male employment, large increases in female employment and relatively small increases in lone parenthood. On the other hand there are areas which have seen large falls in male employment, small increases or actual falls in female employment, and large increases in lone parenthood. Underlying these differences there is a consistent geographical contrast between rural and urban areas. Taking quartiles as a measure of extreme experience in both groups, the fortunate rural areas include the southern counties of Buckinghamshire, Cambridgeshire, Suffolk, Kent, Surrey, Hampshire, Dorset, Oxfordshire, Gloucestershire, Wiltshire, Hereford and Worcester, Warwickshire and Lincolnshire, together with North Yorkshire, Grampian and the Scottish Islands. The less fortunate urban areas include eight inner London boroughs, Birmingham and Sandwell, Liverpool and Knowsley, and Manchester and Salford. These contrasts underline the importance of going behind the national aggregates and studying local variations in lone parenthood.

Worklessness and lone parenthood are both well above average in the old industrial areas of Britain. Since they are major determinants of child poverty, it is to be expected that child poverty must also be relatively high in these areas. This is confirmed by the official statistics on low-income households in Table 1. With the exception of London, the incidence of child poverty is on average lower in the Southern regions than elsewhere in Britain. The differences are muted by the fact that the regions concerned are large and contain many localities and subgroups that have suffered from economic decline and have been left behind by the modern service boom. Unfortunately, usable child poverty data are not available at a lower geographical level. The most striking feature is perhaps the high level of child poverty in London, especially inner London, where 51 percent of children live in poverty, but even in outer London the figure is 35 percent. Although

other factors, such as ethnicity, contribute to the widespread poverty in London (Magadi and Middleton, 2007), these very high figures are consistent with our argument since inner and outer London have both suffered severely from the past loss of industry and contain large subgroups that have not shared in the new wealth of the capital. Both have high rates of worklessness and lone parenthood.

4. Econometric Analysis

The above description suggests that changes in male and/or female employment may have been a major factor behind the rise in lone parenthood. Other factors may also have played a role. In order to investigate the relative importance of the various factors, a regression analysis was carried out. The variables used were as follows (see Table 2 for summary statistics):

- *Lone Parenthood*: Lone parent families with dependent children as a percentage of all families with dependent children.

- *Male (Female) Worklessness*: The percentage of males (females) aged 16-49, excluding full-time students, who are not in employment.

- *Population Density*: The number of usually resident persons per hectare in 2001. This variable approximately indicates the position of an area in the urban hierarchy. It may therefore provide a measure of migratory effects, and perhaps behavioural or lifestyle factors connected with big cities and larger towns. Moffitt (1997) notes that urban residence has a positive effect on female lone parenthood in the USA.

- *Rented Accommodation*: The percentage of households in permanent structures which rent their home. Housing tenure is relevant to the present study for several reasons. Low incomes typically prevent lone parents from buying into owner occupation, and they therefore have a greater tendency to remain in, or migrate into, areas where rented housing is plentiful (Gordon 1996). The General Household Survey 2002/03 showed that 64% of lone parent families with dependent children lived in rented accommodation, compared to only 22% of other families. Rising home ownership may be an indicator of "gentrification", the movement of better-off people into former working-class areas of cities. It is also often argued that the availability of rented housing in itself promotes the formation of lone parent families (Social Exclusion Unit 1999).

- *Manual*: The percentage of economically active males with skilled or unskilled manual occupations. This variable is designed to capture the influence of social class on reproductive and partnering behaviour.

- *Female Education*: The percentage of women aged 18-59 with degrees or professional qualifications. There are some suggestions in the literature that better qualifications might encourage lone parenthood because they make women

more independent by improving their employment prospects. Alternatively, they may discourage lone parenthood by increasing the opportunity cost of career disruption through motherhood. The British Millennium Cohort Study showed a strong inverse relationship between the level of a woman's education and the likelihood of a non-partnered birth (Kiernan and Smith 2003). Data on this variable are only available from 1981 onwards.

- *Black*: the percentage of the population belonging to a black ethnic group, and *Asian*: the proportion of the population belonging to a non-Chinese Asian ethnic group. Ethnicity is a well-established correlate of family structure. Lone parenthood is far more prevalent among black ethnic groups, and far less prevalent among Asian ethnic groups, than among Whites (Rowlingson and McKay 2002; Kiernan and Smith 2003). These variables are only available in the Census for 1991 and 2001; values for 1981 were estimated by backward extrapolation.

Our basic regression equation is of the following "fixed effects" form:

$$y_{i,t} = \alpha_i + \beta_t + \gamma_0 x_{i,t} + \gamma_1 x_{i,t-10} + \sum \delta_j z^j_{i,t} + \varepsilon_{i,t}\,, \qquad (1)$$

where y is lone parenthood, x is male worklessness, the z^j are additional variables to control for spurious correlation and $\varepsilon_{i,t}$ is an error term. The dummy variables α_i and β_t are included to control for area-specific and time-specific effects. The area dummies allow for the possibility that some areas may have persistently higher or lower rates of lone parenthood than is implied by our main explanatory variables. The time dummies allow for changes in social norms, welfare benefits and the like that may exert an independent, nation-wide influence on reproductive and partnering behaviour. Lagged values of male and female worklessness are included to allow for the fact that these variables may influence the stock of lone parents with a considerable delay. This is to be expected since the stock of lone parents is governed by the inflows and outflows discussed earlier, particularly partnership breakdown and repartnering, which take time; the duration of lone parenthood for many of those concerned is known to be over a decade (Marsh and Vegeris 2004). Reproductive and partnering behaviour may also be slow to respond when economic conditions alter.

The geography used here gives a good representation of areas with high and low rates of lone parenthood and worklessness. There is a strong urban-rural dimension to both lone parenthood and unemployment, with higher rates in the cities and lower rates in the country. The travel-to-work areas (TTWAs) used in some earlier studies (e.g. Lampard 1994; Ermisch 2002) correspond to the labour catchment areas of employment centres. They involve merging big cities with a wide commuting hinterland, thus eliminating the high rates of lone parenthood and unemployment found in the urban cores. Conversely, many TTWAs comprise small town and rural areas with small populations and relatively low rates of unemployment and lone parenthood. The extent of variation in lone parenthood and worklessness captured by TTWAs is therefore limited. Some of the areas used here – the London boroughs and metropolitan boroughs – are small enough for some

relevant interactions to occur between them, for instance women's pre-partnership behaviour might be affected by the availability of potential partners in a neighbouring area. But it is clear that most of the lone parenthood inflows and outflows would not be affected. In particular, partnership breakdown, or termination through death, occurs between people living in the same place, while re-partnering would appear to be most likely with people living or working nearby. The Census shows that for the great majority of employed people, home and workplace are co-located in the areas used here. There is also clear evidence that areas with weak labour markets tend to be adjacent to each other (Coombes and Raybould 2004). In addition, typical migration patterns have been controlled for through inclusion of the population density and rented accommodation variables.

We do not examine econometrically the role of the welfare system in promoting lone parenthood. In Britain, in contrast to the USA, there is no significant variation in payment levels or eligibility between areas, making the present study design unsuitable for exploring this question. However, as González (2007) points out, the British welfare system is comparatively generous to lone parents by international standards, and this is the background against which employment change would impact on family structure. Over time, there have been variations in the generosity of welfare benefits for lone parents as compared to couples. In 1976 the Labour government introduced a special lone parent benefit that was increased substantially during the 1980s by the Conservatives, but later frozen and eventually abolished altogether for new claimants by Labour in 1998. The major innovations in tax credits have occurred too late to have much effect on the figures included in our study, where the latest data refer to 2001. Otherwise, to the extent that welfare benefits have exerted an independent influence on the evolution of lone parenthood, these effects should be picked up by the time dummies in our regressions.

Table 3 presents the main regression results for the pooled data 1971-2001. In this table, the basic fixed effects equation is estimated both by ordinary least squares and by the method of instrumental variables, as discussed below. As a cross-check, the equation is also re-estimated by dropping the area-specific dummies and using the method of "random effects" to allow for geographical variations. This is regarded as more efficient than the fixed effects approach, but it has the drawback that the resulting estimators may not be consistent. The standard method for choosing between fixed and random effects is to apply the Hausman test. Unfortunately, this method is not applicable in the present context because our time series are extremely short (4 observations for each area) and we are therefore left with no formal statistical criterion for choosing between fixed and random effects. [2] We also experimented with alternative logarithmic versions of the regression equations, and tried using feasible generalized least squares to correct for heteroskedasticity. The results are not reported here because they were similar to those presented in the table.

[2] Let b and B be the coefficients derived by regression using fixed and random effects respectively, and let V(b) and V(B) be their estimated variance-covariance matrices. The Hausman test uses V(b) -V(B) to estimate V(b-B). This requires that V(b) – V(B) be positive definite. This condition is not satisfied for the pairs of equations 3&5 and 4&6 in Table 3.

Most of the equations shown in Table 3 include unlagged female worklessness as an explanatory variable. The inclusion of this variable (though not of *lagged* female worklessness) raises the issue of simultaneity. Employment opportunities for women may influence their reproductive and partnering decisions, but the causality may also run in the opposite direction. For example, over most of our period, childcare facilities were limited and the welfare system did not encourage lone parents to seek work, thus establishing a causal link from lone parenthood to female worklessness. To allow for simultaneity some of the equations are estimated using two-stage least squares with an instrument for unlagged female worklessness. The instrument we use is SWPOP, which is defined as the number of people employed in service activities expressed as a percentage of the working age population (16-64/59). This instrument is always highly significant in the first stage regression equations (see Appendix Table A1). It is also likely that SWPOP has a low correlation with the error term in the equations that explain lone parenthood. It is true that SWPOP is highly correlated with lone parenthood, but this is because it is correlated with a number of the explanatory variables included in the equations used to explain lone parenthood. It seems unlikely that SWPOP exerts a substantial influence in its own right on lone parenthood. The implied low correlation of SWPOP with the error term in the equations used to explain lone parenthood, together with its high correlation with unlagged female worklessness, should make SWPOP an acceptable instrument for the latter variable.

4.1. *Results*

The regression results shown in Table 3 indicate a strong statistical relationship between lone parenthood and male worklessness, even after controlling for other variables and area-specific and time-specific effects. In every equation, the coefficients of lagged and unlagged male worklessness are positive, and in most cases highly significant. In every case, the coefficient is larger for the lagged than for the unlagged variable. The long-run effect on lone parenthood of a permanent change in male worklessness is measured by the sum of coefficients for the lagged and unlagged values. This sum indicates that a permanent rise of 1 percentage point in the rate of male worklessness leads to an eventual increase of between 0.60 and 1.13 percentage points in the rate of lone parenthood.

The picture with regard to female worklessness is mixed. In the equations using fixed effects, the sum of coefficients for lagged and unlagged female worklessness is positive, whereas in other equations it is negative. In all cases, this sum is relatively small. These findings suggest that the net causal impact of female worklessness on lone parenthood has been minor. This may be the result of offsetting forces. For example, the lack of job opportunities for women in a certain area may have caused un-partnered women to have children, but it may have also encouraged unemployed lone parents to re-partner.

Most of the coefficients for the other variables have the expected sign. Other things being equal, areas with high populations of Asians or female graduates have low rates of lone parenthood. Conversely, areas with high black populations or a high population density have high rates of lone parenthood. Housing tenure does not have a well-defined relationship to lone parenthood; its coefficients are of low significance and of differing

signs. By contrast, population density always has a significant and positive coefficient, suggesting that cities have higher rates of lone parenthood as a result of particular migration flows, or else they encourage certain kinds of behaviour.

An interesting finding is that the coefficient for "manual" is always negative and sometimes highly significant. This suggests that the above average rate of lone parenthood in traditional working-class areas is not directly due to class-related cultural factors. On the contrary, working-class areas where employment is plentiful tend to have lower than average rates of lone parenthood. As we discuss below, this could be due to the fact that, other things being equal, lone parents are more likely to re-partner in such areas than elsewhere.

4.2. *Numerical Implications*

Table 4 shows what some of the regression equations imply in numerical terms for the contribution of male worklessness to the national increase in lone parenthood. The method used to derive these numbers is described in the appendix. Over the period 1971-2001, the total number of lone parents rose by 1,161,000. Of this total, the increase in male worklessness accounted for between 38% and 59%, which in absolute terms is equivalent to between 445,000 and 690,000 families. These estimates are based on the coefficients of male worklessness in equations (3) – (6) which allow for the influence of exogenous geographical factors. Equations (1) and (2) yield even larger estimates. To illustrate what our estimates imply for some of the areas most damaged by industrial change, we have calculated how the decline in male employment has affected lone parenthood in some major conurbations: Birmingham, Liverpool, Manchester, Newcastle-upon-Tyne and Strathclyde (which includes Glasgow). The total number of lone parent families in these areas rose from 71,000 in 1971 to 191,000 in 2001. Equation (6) implies that half (60,000) of the increase of 120,000 was due to lower male employment, and more than one tenth of all families with dependent children in these conurbations are now without a resident father (or stepfather) because of the growth in male worklessness. Other equations yield estimates that are somewhat higher or lower than these figures.

4.3. *Reversibility*

The above regression results imply that the growth of male worklessness since 1971 has led to more lone parenthood. This raises an important policy question. Could the increase in lone parenthood due to male job loss be reversed if extra jobs were created for men? This is a difficult question to answer since male worklessness operates with a considerable lag and virtually all of the reductions in this variable occurred in the final decade of our sample, which is too late to estimate their long-term impact on lone parenthood. However, we can estimate their short-term effects. To this end, we use the following equation

$$\Delta y_{i,t} = \alpha + \left\{ d_{i,t}\gamma_0^- + (1 - d_{i,t})\gamma_0^+ \right\} \Delta x_{i,t} + \gamma_1 \Delta x_{i,t-10} + \sum \delta_j w_{i,t}^j + \eta_{i,t}\,, \quad (2)$$

where Δy and Δx are changes in lone parenthood and male worklessness respectively over the ten year period between Censuses, the w^j are other variables, comprising time dummies, population density and ten-year changes in the control variables shown in Table 3, and η is an error term. Finally, $d_{i,t}$ is a dummy variable which takes the value 1 when $\Delta x_{i,t} < 0$ and zero otherwise. If the coefficient γ_0^- is positive, the estimated equation implies that a reduction in male worklessness during a given decade (mostly 1991-2001) resulted in a lower rate of lone parenthood in the area concerned than would otherwise have been the case.

Table 5 reports two alternative estimates of the above equation. In each case the coefficient for unlagged reductions in male worklessness (γ_0^-) is positive and highly significant. These estimates suggest that a reduction in male worklessness helps to reduce the rate of lone parenthood. This does not mean that there will be an actual fall in lone parenthood, since there may be other factors that prevent such an outcome, such as changing social attitudes; Ermisch (2006) discusses how these might affect the out-of-wedlock birth element of lone parenthood. However, it does seem that falling male worklessness will at least slow down the rise in lone parenthood. Such a conclusion is consistent with evidence from the LFS, which indicates that the national rate of lone parenthood has now stopped rising after three decades of rapid growth (Figure 1).

4.4. *Stepfamilies*

Table 6 extends the above analysis by examining the factors that influence the formation of stepfamilies. The results shown in these tables refer to cross-section ordinary least squares regressions for 2001, the first year when data on stepfamilies were collected by the Census. The dependent variable in equation (9), "Repartnered", refers to stepfamilies as a percentage of lone parent families plus stepfamilies. This is a proxy for the likelihood that a lone parent will exit from lone parenthood by finding a new partner. For comparison, equation (10) in this table gives the equivalent regression results when lone parenthood is the dependent variable.

In the equation for re-partnering, the coefficients of male worklessness are negative and highly significant. These results are consistent with the argument that male worklessness reduces the number of men who are attractive as new partners. The existence of a large coefficient for unlagged male worklessness is consistent with the fact that repartnering occurs comparatively late in the course of lone parenthood and would therefore be most affected by men's recent labour market status.

An interesting finding is that, other things being equal, the formation of stepfamilies seems to be more common in areas with a high proportion of semi-skilled and unskilled manual workers. The "manual" coefficient is positive and highly significant. This

reinforces our earlier conclusion that the above average rate of lone parenthood in the old industrial areas is not directly due to class-related cultural factors, but to other factors such as a low rate of male employment. Of course, culture may have an indirect influence on lone parenthood through its effect on educational achievement and other factors that may affect the amount of employment in an area.

The results on lone parenthood in equation (10) are mostly similar to our previous findings. In particular, they indicate that lagged and unlagged male worklessness have a powerful influence on lone parenthood. However, unlike in the previous findings, there is also some indication that female worklessness does have an influence on lone parenthood, although its long-term impact is comparatively weak: the sum of the two coefficients for female worklessness is -0.435 as compared to 1.164 for the sum of the two male coefficients. This finding should be interpreted in the light of the more comprehensive panel regressions where the estimated impact of female worklessness is of varying sign and is always small. To allow for simultaneity, we tried estimating both equations using SWPOP as an instrument for unlagged female worklessness, but the coefficients were all of such low significance that the results are not reported here. We were unable to find a better instrument.

5. Conclusions and Implications

The main conclusion of this paper is that male worklessness has been a major causal factor behind the past rise in female lone parenthood. The impact was greatest in the areas which suffered most from industrial decline. Our econometric analysis also suggests that higher male employment would help to contain, and maybe reverse, the growth of lone parenthood, by reducing inflows into lone parenthood and increasing outflows through re-partnering and the consequent formation of stepfamilies.

Changes in female employment are found to have no consistent net effect on the level of lone parenthood. This may be because improved female employment opportunities have offsetting effects on inflows and outflows, affecting un-partnered births, separation and re-partnering in different ways. Higher female educational qualifications are found to be associated with reduced lone parenthood.

Our findings have implications for UK government policy towards lone parenthood, which has focused almost exclusively on efforts to get more lone parents into work through tax credits, employment promotion and training. This policy has had some success, although in 2006, the LFS indicated that 43.5% of lone parents were still without a job. In addition, subsidising lone parents in work through tax credits is expensive. It may also encourage lone parenthood by improving the financial situation of lone parents relative to that of couple families, as argued for instance by Field and Cackett (2007). By comparison with preventing lone parenthood in the first place, it is clearly a second best. Nor does it appear to be better than the additional stepfamily formation that would result from improved male employment.

The findings of this paper suggest that more emphasis should be put on the promotion of employment for men. This in turn requires a focus on the former industrial areas of the country, particularly the cities. Our econometric results suggest that, in Great Britain as a whole, perhaps a half of the rise in lone parenthood between 1971 and 2001 has been due to higher male worklessness. Although subject to a considerable margin of error, such an estimate underlines the wider benefits of raising male employment, especially in deprived areas.

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Fig. 1.
Male and Female Non-Employment and the Growth of Lone Parenthood

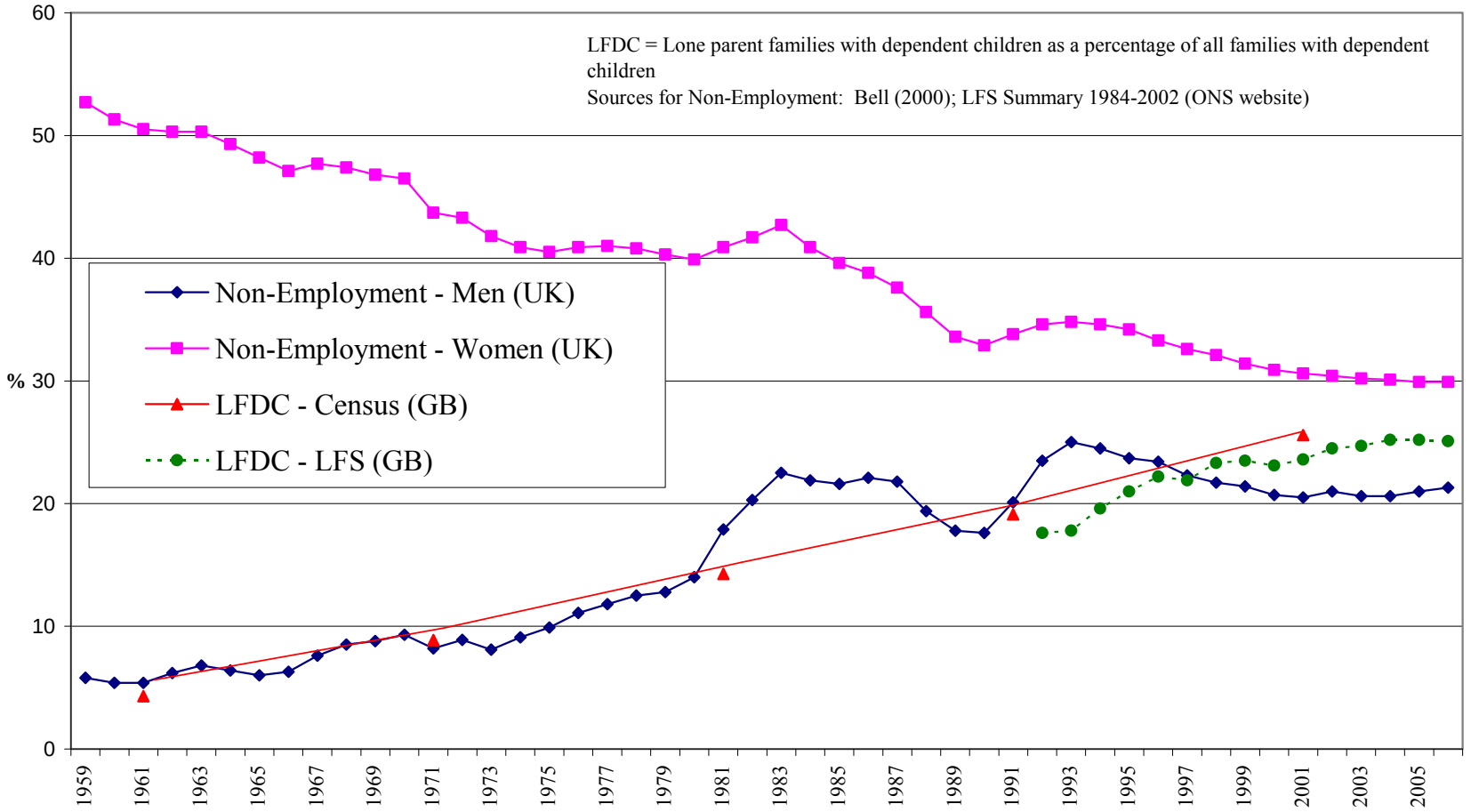

Table 1
An Overview of Child Poverty: UK 2005/6

	Risk of Poverty (%)[1/]		Number of Children in Poverty (thousands)[2/]	
	Before Housing Costs	After Housing Costs	Before Housing Costs	After Housing Costs
Lone Parent:	35	50	1100	1600
of which				
In full-time work	7	14	50	100
In part-time work	17	30	150	300
Not working	56	75	950	1250
Couple with children:	18	23	1700	2200
of which				
Self-employed	28	33	400	500
Both in full-time work	1	2	< 50	50
One in full-time work, other in part-time work	4	7	100	200
One in full-time work, other not working	17	26	350	550
One or more in part-time work	44	53	250	300
Both not in work	64	74	500	600
England	22	29	2400	3150
of which				
North East	28	32	150	150
North West	24	31	350	450
Yorks. & Humber	25	30	300	350
East Midlands	23	27	200	250
West Midlands	26	32	300	400
Eastern	16	24	200	300
London	26	41	400	650
of which				
Inner	35	51	200	250
Outer	21	35	200	350
South East	13	22	200	350
South West	17	26	150	250
Scotland	22	25	200	250
Wales	24	28	150	150
Northern Ireland	25	27	100	100

Source: DWP (2007), tables 4.5, 4.6.
1/ Poverty is defined as below 60% of equivalised median income).
2/ Absolute numbers are derived by multiplying the total number of children in each category by the risk of poverty in this category, as given in DWP (2007) tables 4.5 and 4.6. All numbers are rounded to the nearest 50. Totals may not add because of rounding errors.

Table 2
Description of Variables

Name	Definition	Median	Min.	Max.
Lone Parent Percentage	Lone parent families with dependent children as a percentage of all families with dependent children	15.8	5.3	47.9
Male Worklessness	Percentage of males aged 16-49 not in full-time education who are not in full-time employment	12.4	2.6	37.6
Female Worklessness	Percentage of females aged 16-49 not in full-time education who are not in full-time employment	34.9	20.8	57.0
Population Density	Number of usually resident persons per hectare	12.9	0.1	131.0
Rented Accommodation	Percentage of households which do not own their own home	39.4	20.8	97.6
Manual	Percentage of economically active males, whether employed or unemployed, who are in semi-skilled or unskilled socio-economic groups (see Appendix for exact definition for 2001)	17.7	5.0	36.7
Female Education	Percentage of women aged 18-59 with degrees or professional qualifications	17.7	1.9	53.1
Black	Percentage of the population belonging to a black ethnic group	0.6	< 0.1	25.9
Asian	Percentage of the population belonging to an Asian ethnic group other than Chinese	1.5	< 0.1	36.6
SWPOP	100 × total persons employed in services ÷ working-age population	41.4	21.6	63.3
Repartnered	100 × the number of stepfamilies divided by the sum of lone parent families & stepfamilies	27.5	11.6	37.7
T91	= 1 in 1991; = 0 otherwise			
T01	= 1 in 2001; = 0 otherwise			

Note: The summary statistics refer to the entire sample from 1971 to 2001.

Table 3
Regression Results: Pooled Data 1971-2001

Dependent Variable = Lone Parent Percentage						
Independent Variables	(1) LS	(2) LS	(3) LS Fixed Effects	(4) IV Fixed Effects	(5) LS Random Effects	(6) IV Random Effects
Male Worklessness	0.217**	0.227*	0.317**	0.215	0.317***	0.311***
	(0.083)	(0.104)	(0.094)	(0.145)	(0.063)	(0.088)
Male Worklessness (Lagged)	0.911***	0.704***	0.394***	0.386***	0.613***	0.478***
	(0.064)	(0.086)	(0.080)	(0.089)	(0.052)	(0.048)
Female Worklessness		0.052	0.143*	0.269†	0.011	0.111
		(0.089)	(0.060)	(0.152)	(0.048)	(0.089)
Female Worklessness (Lagged)		-0.313***	-0.010	-0.028	-0.211***	-0.093*
		(0.081)	(0.049)	(0.070)	(0.040)	(0.041)
Population Density		0.056***	0.162***	0.175***	0.076***	0.132***
		(0.011)	(0.023)	(0.027)	(0.011)	(0.017)
Rented Accommodation		0.043*	-0.065	-0.081†	0.033†	-0.024
		(0.019)	(0.041)	(0.043)	(0.019)	(0.023)
Manual		-0.135†	-0.175	-0.089	-0.216***	-0.202*
		(0.072)	(0.142)	(0.161)	(0.061)	(0.080)
Female Education		-0.037	-0.303***	-0.311***	-0.112***	-0.232***
		(0.037)	(0.049)	(0.052)	(0.030)	(0.030)
Black		0.404***	0.334*	0.335**	0.370***	0.330***
		(0.053)	(0.132)	(0.127)	(0.048)	(0.062)
Asian		-0.135***	-0.270*	-0.305*	-0.144***	-0.222***
		(0.032)	(0.123)	(0.126)	(0.031)	(0.047)
T_{1991}		-1.226*	2.489†	3.700†	-0.722	1.345
		(0.612)	(1.341)	(2.018)	(0.668)	(0.975)
T_{2001}		0.959	10.636***	12.516***	2.897**	7.828***
		(1.040)	(2.191)	(3.286)	(1.071)	(1.530)
R^2	0.709	0.939	0.981	0.980	0.935	0.907
Number of obs.	360	360	360	360	360	360

Notes:
The numbers in parentheses are standard errors. All equations contain a constant which is not reported in this table. Cols (4) and (6) are estimated using two stage least squares with current female worklessness instrumented (see text). † p<.10; * p<.05; ** p < .01; *** p < .001

Table 4
Numerical Impact of Male Worklessness on Lone Parenthood 1971-2001

Equation Number and Type		Total Change in Number of Lone Parent Families 1971-2001	Effect of Male Job Loss	Proportion of Total Change
(3)	Fixed effects, LS	1,161,000	519,000	45%
(4)	Fixed effects, IV	1,161,000	445,000	38%
(5)	Random effects, LS	1,161,000	690,000	59%
(6)	Random effects, IV	1,161,000	580,000	50%

Note:
This table shows various estimates of the impact on lone parenthood of higher male worklessness since 1971. Each estimate is based on the coefficients of lagged and unlagged male worklessness in the corresponding equation shown in Table 3.

Table 5
Regression Results: First Differences 1981-2001

Dependent Variable = Change in Lone Parenthood

Independent Variables	(7) OLS	(8) IV
Negative Change in Male Worklessness	0.618***	0.513*
	(0.129)	(0.203)
Positive Change in Male Worklessness	0.227*	0.149
	(0.103)	(0.149)
Lagged Change in Male Worklessness	0.419***	0.391***
	(0.070)	(0.090)
T_{2001}	5.482***	4.747***
	(0.713)	(1.249)
Number of observations	240	240
R^2	0.626	0.618

Notes:
Both equations contain lagged and unlagged changes in female worklessness, plus changes in the other control variables listed in Table 3. Column (8) is estimated using two stage least squares with the unlagged change in female worklessness instrumented by ΔSWPOP. For other notes see Table 1.

† p <.10; * p <.05; ** p < .01; *** p < .001

Table 6
Cross-section Regressions for 2001

Independent Variables	(9)	(10)
	Dependent Variable = Repartnered	Dependent Variable = Lone Parenthood
Male Worklessness	-0.865**	0.636**
	(0.291)	(0.227)
Male Worklessness (Lagged)	-0.399†	0.528**
	(0.224)	(0.171)
Female Worklessness	-0.171	0.220
	(0.279)	(0.187)
Female Worklessness (Lagged)	0.418†	-0.655***
	(0.223)	(0.164)
Population Density	-0.057†	0.042*
	(0.029)	(0.019)
Rented Accommodation	0.126	0.124*
	(0.079)	(0.052)
Manual	0.608**	-0.231†
	(0.204)	(0.138)
Female Education	-0.120	-0.110†
	(0.089)	(0.060)
Black	-0.123	0.319***
	(0.086)	(0.058)
Asian	-0.098	-0.150***
	(0.081)	(0.045)
Constant	42.417***	36.275***
	(10.546)	(7.229)
Number of Observations	120	120
R^2	0.829	0.911

Notes:
Estimation is by OLS. Robust standard errors are shown in parentheses.
† p<.10; * p<.05; ** p < .01; *** p < .001

Appendix: Methods and Data

Counterfactual

Every regression equation in Table 3 is of the form,

$$y_{i,t} = \gamma_0 x_{i,t} + \gamma_1 x_{i,t-10} + \sum \phi_j w^j_{i,t} + \varepsilon_{i,t} \,, \tag{3}$$

where y is lone parenthood, x is male worklessness, the w^j are other variables, including area-specific and time-specific effects, and $\varepsilon_{i,t}$ is an error term. In particular,

$$y_{i,2001} = \gamma_0 x_{i,2001} + \gamma_1 x_{i,1991} + \sum \phi_j w^j_{i,2001} + \varepsilon_{i,2001} \,, \tag{4}$$

Consider a counterfactual situation in which male worklessness remains permanently at the 1971 rate, but all other variables and the error term have their actual values. Then, lone parenthood will have a new value in 2001 given by

$$y^*_{i,2001} = \gamma_0 x_{i,1971} + \gamma_1 x_{i,1971} + \sum \phi_j w^j_{i,2001} + \varepsilon_{i,2001} \,, \tag{5}$$

By subtraction,

$$y_{i,2001} - y^*_{i,2001} = \gamma_0 \left(x_{i,2001} - x_{i,1971} \right) + \gamma_1 \left(x_{i,1991} - x_{i,1971} \right) , \tag{6}$$

This formula indicates how much the lone parenthood rate in area *i* was increased by the change in male worklessness after 1971. The associated numerical increase in lone parenthood is given by $\left(y_{i,2001} - y^*_{i,2001} \right) N_{i,2001}$ where $N_{i,2001}$ is the total number of families with dependent children in area *i*. Aggregating across all areas yields the national increase in the number of lone parents due to higher male worklessness as shown in Table 4.

Geographical Areas

The whole of Great Britain was included, except for the very small City of London, and divided into the following areas: 32 London boroughs, 36 English metropolitan districts, 39 English shire counties, 9 pre-1996 Scottish regions, three Scottish islands areas as a further single unit, and three areas in Wales. Of the pre-1996 Welsh counties, only Dyfed has data available throughout. The remaining counties were combined into North and East Wales (Clwyd, Gwynedd and Powys), and South East Wales (Gwent and Mid-, South and West Glamorgan). The main deficiencies in this set of areas are the merging of some of the big cities with high rates of lone parenthood, such as Glasgow, Nottingham, Hull, and Cardiff, into their surrounding areas, and under-representation of Scotland and Wales.

The Variables

Lone Parenthood: The variable used is the best available measure of the extent of family breakdown. Ideally, only female-headed lone parent families would be included, but the relevant information was not published for 1981. For 1981, local authority data were available only for lone parent families living in households with one family, resulting in the exclusion of 6.4% of lone parent families. Figure 1 uses the correct GB total.

The definition of a dependent child has changed slightly over time. The broad effect has been to reduce the proportion of middle class families within the total, but this is unlikely to be significant in relation to the present study.

The lone parenthood estimates from the Labour Force Survey 1992-2006 in Figure 1 were supplied by Annette Walling of ONS, whose assistance is gratefully acknowledged. They are for Spring each year.

Male and Female Worklessness: Apart from taking into account unemployed people who have moved into the status of long-term sickness, the definition used also takes into account increasing participation in higher and further education, and removes the distorting effect of the change in enumeration of students in 2001 from home to term-time address. People aged 50 + have been excluded in order to eliminate the effect of early retirement, which is known to vary geographically quite differently from other forms of worklessness (MacKay 1999). Moreover, the bulk of men and women who are actual or potential parents or step-parents of dependent children are less than 50 years of age. For example, in 2001, only 6.5% of lone mothers were 50+. Treatment of full-time students has varied over time. The male variable for 1971 and 1981 was calculated as:

$$100\times\left(1-\frac{\left(\text{employed + temporarily sick males}\right)}{\text{(all males - economically inactive students)}}\right).$$

In 1981 those "on a government training course" were treated by the Census as full-time students. For 1991 they have been included with the workless. The male variable for 1991 was calculated as:

$$100\times\left(1-\frac{\left(\begin{array}{l}\text{total economically active males - unemployed}\\ \text{- on government scheme - employed students}\end{array}\right)}{\text{all males except students}}\right).$$

The male variable for 2001 was calculated as:

$$100\times\left(1-\frac{\text{(total employed males - economically active students)}}{\text{all males except students}}\right).$$

The female variables were calculated in the same way as for males.

Population Density: Estimated Census 2001 populations were subsequently officially increased for 13 of the areas used here (ONS 2004) and the revised figures have been used. Using separate measures for the four individual Censuses would have introduced irrelevant changes. The only available population base in 1971 was the enumerated population whereas in 2001 only the estimated resident population was available. The switch to term-time address for students in 2001 will also have affected density.

Rented Accommodation: For 2001 shared ownership has been included with home ownership.

Manual: "Semi-skilled or unskilled" has been defined as socio-economic groups (S.E.G.s) 10 and 11. In 2001, Census S.E.G.s were replaced by the National Statistics Socio-Economic Classification (NS-Sec). The conversion to S.E.G. was carried out using Table 9 of the National Statistics Socio-Economic Classification User Manual, Version No.1, April 2002. S.E.G. 10 equates to NS-Sec L11.2, L12.2, L12.4 and L13.2 and S.E.G. 11 to NS-Sec L13.4. This approximation is stated by ONS to achieve a continuity level of 87 %.

For 2001, the published breakdown for NS-Sec by the detailed categories required for the conversion to S.E.G. includes some economically inactive as well as economically active men. Most of these economically inactive men would in earlier years have been economically active and included in the Census tabulations of S.E.G. To maximise continuity with earlier years, it was decided to retain them and to define the variable for 2001 as:

$$100 \times \frac{\left(\begin{array}{l}\text{(All in L11.2, L12.2, L12.4, L13.2 and L13.4}\\ \text{for whom NS-Sec is shown)}\end{array}\right)}{\left(\begin{array}{l}\text{Total for whom NS-Sec is shown}\\ \text{+ Economically active not classified for other reasons}\end{array}\right)}.$$

A separate note on our procedure is available from the authors.

Female Education: This is available only for 1981-2001. Similar information was collected in 1971 but not published at local authority level. For 1981 and 1991 the data are only available in three age bands: 18-29, 30-44 and 45-59. Truncating the data at age 44 would not have had any clear advantage and the whole range 18-59 was therefore used. For 1981 there was no source for the exact female population aged 18-59, and the age group 16-19 had to be split by assuming that those aged 18-19 were half of those aged 16-19. The switch to recording students at their term-time address in 2001 will have altered the apparent geographical distribution of qualified women, because postgraduate students are usually already qualified, although many of them will already have been recorded at their term-time address in earlier Censuses. Use of the whole age

range 18-59 will have helped to smooth the change; there is no other way of adjusting the figures to remove the discontinuity,

Black and *Asian*: The "mixed" categories introduced in 2001 have not been used. Otherwise, all black groups have been included in BLACK, while ASIAN includes Indian, Pakistani, Bangladeshi and "other Asian" (England and Wales) or "other South Asian" (Scotland). Ethnic group was recorded in the Census only in 1991 and 2001. Estimates for 1981 were obtained by multiplicative backward extrapolation of the 1991-2001 trend, to reflect the changing size of the populations concerned, and the geographical dispersal that has been occurring. The formulae used were as follows:

$$\frac{\text{BLACK(1981)}}{\text{BLACK(1991)}} = \frac{\text{BLACK(1991)}}{\text{BLACK(2001)}}, \quad \frac{\text{ASIAN(1981)}}{\text{ASIAN(1991)}} = \frac{\text{ASIAN(1991)}}{\text{ASIAN(2001)}}.$$

In calculating this variable the population of all ages was used. For this control variable, a broad measure of ethnicity was sought. Extracting the data for a narrower age range would be a substantial task and there is no clear case for selecting one rather than another.

SWPOP: Employment in services was obtained from the Census tables showing industry of persons in employment**,** and working age population from the economic position tables used for the male and female worklessness variables. For 1971-91 services are as defined by LCT; for 2001 all services are included.

Re-partnering: This variable probably understates the rate of re-partnering in cities and overstates it in smaller settlements, because re-partnered couples are more likely to move out of cities into owner occupation elsewhere. Any such effect should be captured by the density variable.

Data Sources

The following sources were used: NOMIS; ONS England & Wales 2001 Census National Report Part 2 CD-Rom, revised February 2004, and GRO Scotland 2001 Census CD-Rom 5, Vol.2 Version 2 December 2004; Census County Reports, 1971 and 1981; and the Linking Censuses Through Time (LCT) website at http://cdu.mimas.ac.uk/lct/. The LCT datasets and interface were created as part of ESRC Award H507255151 by Danny Dorling, David Martin and Richard Mitchell. NOMIS and LCT both use the original electronic small area statistics and deal with boundary changes by making a "best fit" of Census enumeration districts to the required boundaries.

First Stage Results

Table A1

First Stage Results for Instrumental Variable Regressions in Tables 3 and 5

Equation number in text	(4)	(6)		(8)
Dependent Variable	Female Worklessness	Female Worklessness		ΔFemale Worklessness
Independent Variables			Independent Variables	
SWPOP	-0.571***	-0.501***	ΔSWPOP	-0.448***
	(0.067)	(0.049)		(0.061)
Male Worklessness	0.494***	0.497***	Negative ΔMale Worklessness	0.590***
	(0.082)	(0.061)		(0.122)
			Positive ΔMale Worklessness	0.440***
				(0.079)
Male Worklessness (Lagged)	0.162*	0.040	ΔMale Worklessness (Lagged)	0.302***
	(0.070)	(0.052)		(0.062)
Female Worklessness (Lagged)	0.069	0.149***	ΔFemale Worklessness (Lagged)	-0.253***
	(0.049)	(0.039)		(0.043)
Population Density	0.023	-0.035*	Population Density	0.066***
	(0.027)	(0.018)		(0.009)
Rented Accommodation	0.119***	0.101***	ΔRented Accommodation	0.070†
	(0.034)	(0.023)		(0.036)
Manual	-0.517***	-0.642***	ΔManual	-0.327**
	(0.107)	(0.067)		(0.099)
Female Education	0.057	-0.007	ΔFemale Education	-0.087†
	(0.044)	(0.033)		(0.051)
Black	-0.038	-0.003	ΔBlack	-0.178
	(0.099)	(0.068)		(0.108)
Asian	0.306***	0.225***	ΔAsian	0.362***
	(0.075)	(0.046)		(0.083)
T_{1991}	-6.546***	-5.832***		
	(0.968)	(0.743)		
T_{2001}	-8.181***	-6.669***	T_{2001}	5.699***
	(1.740)	(1.305)		(0.535)
R^2	0.952			0.626
Number of obs.	360	360		240

Notes: The numbers in parentheses are standard errors. All equations contain a constant which is not reported in this table. In the case of equation (8), the first differences of all variables shown in this table were used, with the exception of Population Density and T_{2001}. † p<.10; * p<.05; ** p < .01; *** p < .001

THE GEOGRAPHICAL CONCENTRATION OF LABOUR MARKET DISADVANTAGE

Paper for the *Oxford Review of Economic Policy* special issue on
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David Webster

Abstract This paper argues that British 'welfare to work' policies are inadequate given the geographical concentration of worklessness in northern regions and in cities and former coalfields. While unemployment has been converging geographically, inactivity has not. All the 'welfare to work' target groups – youth unemployed, long-term unemployed, lone parents, the long-term sick and partners of the unemployed – have closely similar geographical distributions. Official arguments that there are adequate job vacancies everywhere are shown to be flawed. The geography of worklessness is largely explained by the weakness of adjustment through migration and commuting to the loss of jobs in manufacturing and mining, the cities being particularly affected by "urban-rural manufacturing shift". Policy needs to promote more relevant employment in high unemployment areas, through increased spending on derelict land reclamation, transport and other infrastructure. The case for more supportive policies towards manufacturing should also be considered.

Abstract 3 April 2000

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Introduction

This paper argues that supply-side policies of "welfare to work" and welfare reform are inadequate given the nature of Britain's unemployment problem. There are very large differences in joblessness between local labour markets and it is much higher overall than indicated by the unemployed claimant count or Labour Force Survey. Joblessness is heavily concentrated north west of a line from the Bristol Channel to the Wash. It is also a particular feature of the former industrial cities and coalfields, although the cities' problem is often obscured by the misleading nature of the official claimant unemployment statistics at sub-regional level. All the target groups for welfare to work programmes are concentrated in the same areas as the unemployed. Policy cannot therefore be fully effective unless programmes aimed at improving "employability" and work incentives are complemented by demand side policies to bring work to these areas. A realistic appraisal indicates that this means much more spending on derelict land reclamation, industrial property development and associated road and public transport infrastructure.

The first section of the paper outlines the geography of British unemployment and its true scale, and shows that when joblessness is defined to include inactivity as well as unemployment, spatial convergence is not occurring. The second section looks at the geographical distribution of the welfare to work target groups - youth unemployed, long-term unemployed, lone parents, the long-term sick, and partners of the unemployed. The third section considers the argument recently mounted by the Treasury and DfEE that there are sufficient job vacancies in every area. The next section briefly looks at the reasons for the spatial patterns of joblessness. The limitations of migration and commuting as mechanisms of labour market adjustment are then briefly discussed. The paper concludes by briefly sketching what would be a more effective set of policies.

THE GEOGRAPHY OF UNEMPLOYMENT

Official commentators argue that there has been a high degree of geographical convergence in unemployment rates during the 1990s (HM Treasury 2000; DfEE 1999b; Bank of England 1999). But the differences are still very large, and systematic. Variation is on both a regional and an urban-rural dimension, with cities and the north having higher unemployment. Former coalfields and some coastal and remote rural areas also have higher unemployment. The Labour Force Survey (LFS) figures for counties and larger local authority districts can be used to bring out this pattern. When these are grouped into 73 areas in such a way as to identify separately the urban cores, outer conurbations, freestanding cities and other areas, a very wide range of ILO unemployment rates is revealed (FIGURE 1). At Winter 1998/99 the range was from 2.6% to 14.0%. The highest unemployment rates (all above 10.0%) were in urban areas : Sunderland, Liverpool and Merseyside, Glasgow, Cleveland, Hull, and S.Yorkshire excluding Sheffield. All of these are former industrial areas in the north, with very large populations. Conversely, the lowest unemployment rates (below 4%) were in rural or small town areas, mainly in the south (further details in Webster 1999c).

These unemployment rates greatly understate the spatial variations in joblessness because inactivity (i.e. non-participation in the labour force) also varies enormously across the country. It has long been established that across areas, inactivity is strongly correlated with unemployment (e.g. Armstrong & Taylor 1993). FIGURE 1 plots LFS inactivity rates against unemployment for the 73 areas at Winter 1998/99, showing a correlation of 0.76. The high unemployment cities of Liverpool, Glasgow and Manchester had economic activity rates (aged 16+) respectively of 50.0%, 51.5% and 52.0%, far below the GB average of 62.3%. These very low activity rates have emerged during the 1980s and 1990s and reflect a movement of unemployed people into other statuses such as sickness and early retirement (Beatty et al. 1997a). Gregg & Wadsworth (1998) noted that overall economic inactivity among working age men rose from 9% in 1977 to 16% in 1997. Green (1994) showed that the increases in inactivity between 1981 and 1991 were strongly concentrated in cities, industrial and mining areas. Glasgow moved from 208th to 10th in the ranking of local authority districts, Manchester from 233rd to 13th, and Liverpool from 239th to 16th.

While there has been some geographical convergence of unemployment rates in the upswing since 1993, inactivity rates have actually *diverged*. Between Winter 1993/94 and Winter 1998/99, the standard deviation of unemployment rates fell across the 73 areas, while that for inactivity rates rose (TABLE 1).

Spatial concentrations of joblessness are not randomly distributed around the country, but have a pronounced regional pattern. FIGURE 2 shows the percentage of the working age population not in employment in each region at Winter 1998/99. The range was almost 15%, from a low of 19.6% in the south east outside London, to 34.1% in the north east. All three southern regions, excluding London, were below 22% and all of the north and west above 27%. For the least qualified, the differences in non-employment between regions are much greater (Glyn & Erdem 1999). The non-employment rate of the lowest educational quartile of men aged 25-64 in 1997 was 21.9% in the south east outside London but over 50% in South Yorkshire and Merseyside and over 40% in Greater Manchester, the North, Wales and Scotland. The "north-south divide" is therefore still evident. HM Treasury (2000) argues that "There is a tail of around 15-20 local authority districts with very low employment rates, high unemployment rates, or, typically, both". Although true, this greatly understates the scale of the problem.

The TUC has devised a useful "broad" indicator of involuntary worklessness which takes into account both unemployment and inactivity. This "Want Work Rate" (WWR) can be produced readily from the LFS and can validly be used for both historical and international comparisons (TUC 1998). It shows the unemployed plus the inactive wanting work as a percentage of all those working or wanting work. At January 1997 the GB WWR stood at a little over 14%. This was almost exactly the same as the estimate of "real" unemployment produced by Beatty et al. for the same date using a different methodology. The TUC has recently updated its estimates to Autumn 1999, giving a UK WWR of 13.0%, a total of 4m people.

By contrast to these measures, claimant unemployment rates give a misleading picture of unemployment. The claimant count omits many people who are unemployed on the internationally agreed "ILO" definition, currently showing a total of only 1.1m compared to 1.7m in the LFS. It was for this reason that on coming to office, the

present government accepted the recommendation of the Bartholomew report (1995) that the LFS should be the primary measure. It is less generally realised that claimant count rates are particularly problematic below regional level where figures for both "Travel to Work Areas" (TTWAs) and local authorities are very distorted by commuting (Green & Coombes 1985; Webster 1998; Briscoe 1999). Some examples of how misleading this can be will be given below. The decennial Census of Population however shows the unemployment relativities between areas with a high degree of accuracy and the comparisons below are mostly taken from it.

THE SPATIAL CONCENTRATION OF WELFARE TO WORK TARGET GROUPS

The government's "New Deals" target five particular groups with programmes aimed at raising their "employability" and placing them in jobs. Two of these groups - the longer-term (over 6 months) 18-25 unemployed and the long-term older unemployed - are included in the claimant count. The other three - lone parents, the long-term sick, and partners of the unemployed - are mostly classed among the economically inactive. However all five groups are spatially concentrated in the areas which already have the highest unemployment and inactivity. This highlights a basic problem: an attempt is being made to place the largest number of people into jobs in exactly the places where jobs are scarcest.

Youth Unemployment

FIGURE 3, using 1991 Census data, shows that across areas the proportion of men aged 20-24 who are unemployed is very strongly correlated (0.96) with the overall male unemployment rate. The correlation for males aged 16-19 (including those on government training schemes as unemployed) is presumably more affected by variations in the numbers in full-time education and is lower at 0.88. This is still very high. In other words, although young people have a higher incidence of unemployment than adults in their middle years, the incidence varies geographically in almost exactly the same way. Areas with high total unemployment have high youth unemployment. The OECD (1999) commented "(young people's) employment and unemployment rates are highly responsive to the overall state of the labour market".

Long-Term Unemployment

Contrary to what has usually been argued, there is also a very close relationship between total unemployment and long-term unemployment (now conventionally defined as a year or more). A given level of total unemployment, as a percentage of the labour force (U), is always associated with approximately the same level of long-term unemployment, as a percentage of the labour force (L) (Webster 1997). FIGURE 4 shows this relationship using claimant count data for the 60 Scottish TTWAs in October 1995. At this spatial level, differences in the proportion of seasonal unemployment are important, because seasonal workers can by definition never be long-term unemployed even if in practice they are unemployed most of the time. The figures here have therefore been adjusted for the degree of seasonality measured in 1990-96, and the appropriate 9-month lag between long-term and total

unemployment has been applied. The overall correlation is once again very high, at 0.95. Because of the commuting errors in TTWA unemployment rates already mentioned, the true correlation between L and U will actually be somewhat higher than shown here. The unemployment rate for the Forres TTWA - an outlier in FIGURE 4 – has a particularly large error due to a separate problem in relation to the treatment of armed forces personnel.

Machin & Manning (1998), Meager & Evans (1998) and Robinson (1999) have also drawn attention to the close and stable correlation between long-term and total unemployment.

Lone Parents

FIGURE 5 uses 1991 Census data to show the relationship across local authority areas between male unemployment and the proportion of households with dependent children which are headed by a non-working female lone parent. The correlation is once again close (0.89). This close relationship is the result of two other strong relationships, between male unemployment and the proportion of households with children who are female lone parents (correlation 0.85), and between male unemployment and the logarithm of the proportion of female lone parents who are in work (correlation -0.89). This latter negative log correlation means that as the unemployment rate rises, the proportion of lone mothers who are in work falls but at a falling rate.

In 1991 there were half as many lone parent households again (452,000) in local authority areas with above average unemployment as in areas with below average unemployment (312,300), even though the former group of areas had fewer households with children (2.95m compared to 3.62m). The proportion of lone parents in work varied from three-fifths (60.5%) in booming South Cambridgeshire ("Silicon Fen"), where male unemployment was only 4.7%, to one-fifth or less (16.0%-20.5%) in the declining areas of Knowsley, Glasgow and Liverpool, where male unemployment was over 20%. Lone parenthood appears to have continued increasing after 1991, but peaked about 1995.

The Long-Term Sick

Long-term illness is also correlated with unemployment. FIGURE 6, again using 1991 Census data, shows the relationship across local authority areas between male unemployment and the proportion of the working age population who had a long-term illness. The correlation with male unemployment is weaker than for the other variables looked at here, mainly due to particularly high rates of long-term sickness in some former coal and steel areas where industrial illnesses would be expected to be high. But it is still fairly strong at 0.67. The strength of the correlation with unemployment reflects the movement of unemployed people with some kind of health problem on to sickness benefits, drawn by the higher rates of payment and lack of means-testing. Beatty et al. (1997a) reported that the numbers of long-term sick in Great Britain actually increased by a further 707,000 between 1991 and 1997, more than over the decade 1981-91. On their estimates, there were 1.26m people on sickness benefits in January 1997, who, in circumstances of full employment, would

have been in work. This increase during the 1990s goes a long way towards explaining why inactivity has diverged when unemployment has converged.

Workless Households

FIGURE 7 uses 1991 Census data to show the relationship across local authorities between male unemployment and the proportion of households who had no earner. This is a good measure of "work-poor" households. Although there are many workless one-adult, and even multi-adult, households with no partner, it also gives a reasonable approximation to the distribution of workless partners of the unemployed.

A high proportion of workless households comprise pensioners, whose geographical distribution is very uneven. To minimise distortion, pensioner-only households have been excluded from FIGURE 7. However, some pensioners are in work and therefore excluding all pensioner-only households gives figures which are slightly too low for most areas. This is why Isles of Scilly is shown with a negative percentage.

Despite this minor limitation of the figures, the picture is clear. At 0.95, the correlation with male unemployment is approximately as strong as for the youth and long-term unemployed and stronger than for the long-term sick and lone parents. Disregarding Isles of Scilly, this measure has a low of 3.6% in South Cambridgeshire and a high of 33.1% in Knowsley on Merseyside.

UNEMPLOYMENT AND VACANCIES

Given this concentration of the welfare to work target groups in areas of job scarcity, it is not surprising to find early monitoring of the "New Deal" showing worse employment outcomes for participants in high than in low unemployment areas (Martin et al., forthcoming). Indeed this could have been predicted from the US experience of similar programmes (Solow 1998). But the government is now arguing on the basis of data on vacancies notified to the Employment Service (ES) that there really are adequate employment opportunities everywhere. This case has been put formally by the Department for Education and Employment (DfEE) (1999a and 1999b) and HM Treasury (2000). There are essentially three parts to the Treasury/DfEE argument, based on decline over time in the ratio of unemployed to vacancies (the "u/v ratio"); geographical convergence in this ratio; and the geographical invariance of the ratio of vacancies to total jobs with respect to the local unemployment rate.

Before considering these, it is important to note that vacancy data are less reliable than those on unemployment. Newman & Denman (1995) put forward a formidable list of compilation-related factors which may invalidate comparisons of ES vacancy figures across areas or over time. Bivand (2000) notes specific evidence that ES vacancies have recently risen sharply compared to other vacancies data, suggesting an increase in the ES market share. Also, the ratio of vacancies to total employment differs markedly between industries and occupations. Layard et al. (1991, p.327) indicated that in 1982 this ratio varied from 0.12 in mining and quarrying to 1.36 in services, and from 0.49 for managerial and professional jobs and 0.84 for skilled manual jobs to 1.93 for "other non-manual" jobs. Thus if the employment structure of

an area changes, its vacancy rate is likely to change, for reasons unrelated to the balance of supply and demand for labour. In particular, it appears that the rise in service activities relative to manufacturing and mining is in itself likely to have raised vacancy rates. Anecdotal evidence also suggests that the large shift towards part-time employment during the 1990s will have increased vacancies, although there appears to be no research on this issue. Finally, the number of vacancies claimed by the government is a hypothetical figure, grossed up from the actually recorded vacancy count at Jobcentres. The grossing factor of 3 is based on surveys from the 1970s and 1980s which themselves showed not only that the proportion of vacancies reported to Jobcentres varied markedly by region and occupation, but also that the regional differentials changed between surveys (Balls et al. 1991). The Treasury and DfEE have not attempted to control for factors of this kind and their arguments are correspondingly insecure.

Turning to the arguments themselves:-

Decline over time in the ratio of unemployment to vacancies (the "u/v ratio") HM Treasury (2000) argues that "The u/v ratio is now lower than at any time since 1975". It appears to be referring to the ratio of the claimant unemployed count of 1.1m to an estimate of approximately 1m vacancies, obtained by grossing up as explained above. In the light of the foregoing discussion, the problems in drawing conclusions from a change in the u/v ratio are evident. The large movement of unemployed people into other statuses has reduced unemployment as measured by both the LFS and the claimant count, and the claimant count has additionally been reduced by administrative changes. Vacancies are likely to have been affected by changes in industrial structure, turnover rates and recording rates. Moreover, a low u/v ratio does not mean that unemployed people have a correspondingly good chance of getting a job. Gregg & Wadsworth (1998) note that about half (45%) of moves into work come from those inactive in the preceding quarter. Reflecting this, analysis of the LFS shows that across areas, employment change has a much clearer and stronger effect on activity rates than on unemployment rates (Webster 1999c).

Geographical convergence in the u/v ratio HM Treasury (2000) presents a chart showing that the number of unemployed per vacancy has both fallen and converged across regions between 1990 and 1999, stating "unemployment has fallen fastest, and vacancies risen fastest, in those regions that were the hardest hit in the 1980s. Vacancies are now close to record levels in every region of the country and more than one-and-a-half times their 1990 level in Scotland, Wales and throughout the North of England". As noted earlier, it is correct to say that unemployment has converged across regions. But the divergence of inactivity rates undermines the inference that labour surpluses have reduced. The statement that vacancies have risen fastest in the highest unemployment regions is simply incorrect, indeed the reverse of the truth. All of the regions in the North (Scotland, North, North West, Yorks & Humberside and Wales) had higher ILO unemployment in 1990 than any in the South (E. and W. Midlands, E.Anglia, London, Rest of the SE and South West). On unchanged boundaries, the ratio of average vacancies in 1999 to average vacancies in 1990 was only 1.7 in the North compared to 1.9 in the South. Although it is true that vacancies have risen by about half in Scotland and Wales, these were the smallest increases. The ratio was 2 or more for four of the regions in the South but for only one (Yorks & Humberside) in the North.

The Treasury presents a similar argument in relation to TTWAs, to which similar points apply.

Geographical invariance of the ratio of vacancies to employment with respect to the local unemployment rate The DfEE (1999b) presents charts for October 1998 showing that each TTWA has approximately the same level of vacancies as a proportion of its workforce, across the whole range of claimant unemployment rates. The DfEE argues (1999a, para.33-7) that the "lack of concentration amongst Jobcentre vacancies taken together with the concentration of unemployment and joblessness suggests that any problem of mismatch is *within* local labour markets not *between* local labour markets".

There are two problems with this argument. On a simple level, it is still true that the higher the unemployment rate, the more unemployed workers are competing for each vacancy. FIGURE 8 presents the same data as used by the DfEE to show that across TTWAs there was a strong positive correlation (0.74) between the u/v ratio and the claimant unemployment rate (the date here is July 1999 rather than October 1998 but this difference is not material). Twice the unemployment rate means about twice as many competing unemployed. This indeed must be the case if vacancies are evenly distributed but the unemployed are unevenly distributed.

A more sophisticated version of the DfEE's argument, well-rehearsed in the economic literature (e.g. Balls et al. 1991), would be that areas with high unemployment should have lower vacancy rates (as a proportion of total employment), due to pressure from the unemployed workers. The fact that this is not observed is argued to indicate the absence of such pressure. The problem here is whether such unemployment-related variation in vacancy rates would be observable, given all the other influences on vacancy rates already discussed, and given the spatial and skills mismatches resulting from the large changes which have occurred in both the location and the structure of employment.

EXPLAINING THE GEOGRAPHICAL PATTERN OF JOBLESSNESS

The DfEE (1999b) sees joblessness as part of a "trend - running since the late 1970s - towards greater income inequality and the persistence of low income.....the lack of jobs is a key manifestation - both cause and effect - of low income....No one knows for sure what lies behind the twenty year trend to greater income inequality". The misleading nature of the claimant unemployment statistics as to both the scale and geographical incidence of joblessness is undoubtedly one of the main reasons for this sort of agnosticism about the origins of the problem. The map presented by the Treasury (2000), for instance, is hopelessly misleading. This is based on "workforce" claimant statistics whose denominator adds the number of those working in the area to the number of unemployed resident in the area. Areas with large numbers of in-commuters, usually cities, have the incidence of unemployment among their residents understated, often to an extreme degree, as is readily seen by comparison with the LFS. Of the 20 local authorities in the Treasury's list of those with the highest claimant unemployment rates, about 9 should not be there.

However, when the spatial pattern is correctly described through the LFS, census or corrected claimant figures for local authorities (Webster 1999b), the underlying processes are not difficult to discern. Armstrong & Taylor (1993) comment that the basic inverse relationship between the participation rate and the unemployment rate "is a clear indication that demand factors play a substantial part in determining a region's participation rate". Other relationships looked at here also indicate a primary role for labour demand, in particular the very close tracking of total unemployment by both youth and long-term unemployment. Given the spatial distribution of the problem, the obvious underlying factor is the loss of manual jobs in manufacturing and mining, which has not only been very large overall, but has also clearly been concentrated in the cities and coalfields. The anomalously large British loss of manufacturing and its broad spatial impact has been charted by Rowthorn (1999). More particularly, the process of urban-rural manufacturing shift has been analysed by authors such as Keeble (1980), Townsend (1993) and Gudgin (1995). As a result of this shift, most big cities have lost two-thirds or more of their manufacturing employment since 1979, compared to a national loss of around a third. By contrast, small towns and rural areas have maintained or even gained manufacturing employment.

"Labour market accounts" by Turok and Edge (1999) for the cities in 1981-96 have shown what has happened to unemployment, inactivity, commuting and migration as a result of the loss of jobs. Overall, 12.2% of male jobs were lost. Outmigration made the largest contribution to adjustment (7.4% of economically active men), with net change in commuting (1.2%) playing little role - contrary to what is often assumed. The biggest effect was on male inactivity - disguised unemployment - which rose 5.4 percentage points, while claimant unemployment actually fell by 1.2%. The conurbation cores, particularly Merseyside, Clydeside, Manchester and Inner London, did much worse than the other cities. A later paper shows that migration and commuting adjustment is particularly difficult for manual workers (Bailey & Turok 2000).

Beatty et al.'s (1997b) study of the coalfields in 1981-91 had very similar findings. They showed that the 39 "principal coalfield Districts" in England and Wales on average lost a net 14.1% of their male jobs after allowing for labour force growth. On average there was net outmigration equivalent to 4.2% of their male workforce and an increase in net outcommuting of 1.4%, leading to an increase in the total of unemployment and economic inactivity of 8.6%. In other words outmigration compensated for under one third (29.8%) of job loss and outcommuting for one tenth, leaving most (three-fifths) of the job loss feeding directly into "real" unemployment.

The fact that some seaside towns and remote rural areas have high unemployment and inactivity may appear to contradict this picture, and indeed probably has contributed to the impression that withdrawal from the labour force is a supply-side phenomenon which may occur anywhere. There has often been substantial local loss of jobs in tourism, fishing and manufacturing, but this appears insufficient to account for the observed joblessness. Anecdotal evidence suggests that migration by the unemployed has probably played an important role, as was suggested by Gudgin (1995). People who expect to be out of work for a long time, perhaps permanently, are likely to want to move to somewhere pleasant, and housing has often been readily available in redundant hotels and bedsits, financed by Housing Benefit, or as a result of low house

prices. Unfortunately no one has to date attempted to compile labour market accounts for the seaside towns or to investigate their migration flows.

There is strong evidence that the relationship between male unemployment and female lone parenthood is causal. Time series, cross section and ethnographic evidence both in Britain and the USA indicates that unemployment produces marital and relationship breakdown (Webster 2000). In Britain, lone parenthood is similar to inactivity in that the big increase is comparatively recent. Lone parents as a proportion of households with children doubled between 1981 and 1991, and the increase across areas was directly proportional to the local level of unemployment. For the USA, McLanahan & Garfinkel (1989) wrote "Despite some gaps and anomalies, there is now a strong body of empirical research that documents that one of the costs of increased unemployment is increased female headship".

The close spatial relationship between unemployment and workless households appears to be the result of three factors. The increase in lone parent households is itself a factor, because the increase itself, and the likelihood of lone parent's worklessness, both vary in direct proportion to unemployment. Among couples, there is an obvious labour demand effect, since if the local labour market makes it difficult for one partner to get a job it will tend to be difficult for the other. Finally, there is a tendency for partners to have similar levels of education, which in turn are strongly related to unemployment probability. Official analyses tend to argue that the benefits system has had important effects in increasing the prevalence of workless households, but this cannot explain the geographical pattern.

LABOUR MARKET ADJUSTMENT: MIGRATION AND COMMUTING

This analysis shows that worklessness has persisted in the areas where jobs have been lost, and that spatial labour market adjustment through migration and commuting, while real, has been relatively weak. But official policy has placed a heavy emphasis on these types of adjustment.

The Treasury's UK Employment Action Plan (1997) embraced labour migration uncritically as a way of "making markets work better". Since then, as controversy has raged over whether and how to make the necessary housing provision in the south east, and the huge scale of housing abandonment in the north has come to light, the costs of this approach have become steadily more apparent. Indeed the official claims that there are enough job vacancies everywhere in the country, which date from October 1999, could be seen as a retreat from this stance - in effect an attempted reassurance that people do not need to move *en masse* from north to south.

Advocacy of adjustment by commuting is however a constant. HM Treasury (2000) argues that "Almost without exception, areas of high unemployment lie within easy travelling distance of areas where vacancies are plentiful. This is particularly clear cut in London, where the areas of highest unemployment lie within a few miles of two of the ten areas of lowest unemployment in the country". The statement about London is incorrect. The two areas referred to are the Cities of London and of Westminster. Both are very badly affected by the errors in the "workforce" claimant unemployment rates discussed earlier, having respectively 109 times and 6 times as

many workers as employed residents in 1991. Westminster was shown by ONS as having 1.1% unemployment in July 1999. But corrected for commuting error, the true resident rate was actually about 6.2%, well above the national average. Indeed some 340 local authorities had lower rates; Westminster was nowhere near the best 10. At the same date, the City of London's unemployment rate was shown as "0.0", its 94 unemployed claimants being swamped by the huge in-commuting "workforce". On the basis of its 1991 economically active resident population of 2,635, its true rate would be about 3.6%, the same as Telford, below the national average but again nowhere near the lowest 10. Of course the two Cities do have a lot of vacancies, but for the most part these merely represent turnover among the commuter workforce. Most other British cities also have central business districts with numerous, mainly white collar vacancies. This is why it is often true that "areas of high unemployment lie within easy travelling distance of areas where vacancies are plentiful". But the vacancies have to be set against the labour force in the city's whole commuting catchment area.

Although the Treasury clearly considers that the London example self-evidently shows unemployment needlessly persisting in the presence of high demand for labour, the labour market accounts of Turok & Edge show that this is not the case. London's employment losses have been particularly bad.

POLICIES

This analysis indicates that the unemployment problem lies mainly on the demand side of the labour market rather than on the supply side; and on the demand side in particular places, namely the former industrial cities and coalfields together with some other places affected by local manual employment decline. It follows that the main thrust of policy needs to be to promote relevant employment in these places.

There is no mystery about the loss of jobs from the coalfields. The cities however are a more complex case. Their recent particularly poor employment experience appears to have been the result of their initial heavy dependence upon manufacturing, combined with a greatly disproportionate loss of manufacturing due to property constraints (Fothergill et al. 1985). Cities which have been proactive in providing property in order to maintain their manufacturing jobs base have been more successful in doing so. A good example is Leeds. Although widely known for its success in services, this city has in fact also done comparatively very well in manufacturing and its relatively low unemployment reflects this (Turok & Edge 1999). It had the smallest loss of male and of manual employment in 1981-91 of any of the British industrial cities, and the smallest decline in male economic activity. This good performance is not an accident. The city has a proactive policy of land banking and development to anticipate local firms' property needs (Leeds City Council 1997). Urban Development Corporations such as those in Sunderland, Sheffield, the Black Country and Trafford Park have also been strikingly successful in bringing derelict sites back into use. "Brownfield" land is the great asset that most high unemployment areas have in abundance. For instance, 9% of Glasgow's total land area is currently vacant or derelict. Experience shows that in order to open up sites for development, substantial investment is required to consolidate fragmented ownerships, deal with contamination and unstable ground conditions, improve the environment and provide

site infrastructure and access. There is also usually a need for strategic road and public transport investment. British industrial cities have rarely inherited a good road infrastructure, because they were rail-based.

Within a conurbation, commuting patterns conform to the well-known "gravity model". The share of jobs in each area held by the residents of a given area declines exponentially with distance, in other words very fast indeed. Most commentators have focused on what they see as the barriers to employment of the jobless *even if* new jobs were located nearby. But the implication of the observed patterns is that unless new jobs are located within about 3 miles of the target unemployment blackspots, their residents will not get any significant share of them (Webster 1999d). Leaving the location of development entirely to the market is therefore not a realistic option.

Such a switch of strategy - in effect a return to the approach of the previous Labour government's inner cities white paper of 1977, carried on as a subordinate theme by Michael Heseltine and Peter Walker throughout most of the intervening period - would require a switch of resources. This could well be achieved by redirecting money from the labour supply-side programmes. But it also needs to be remembered that huge sums are going to be spent on infrastructure anyway. If there is no serious programme of physical renewal of the cities, development pressures in the exurban south will force government spending on infrastructure there, and indeed the government has already found itself shifting Regional Development Agency resources to the south for this reason. It would make sense to head off such development by spending the same money proactively in the areas where it would have most benefit in reducing joblessness. The programme put together by the Coalfields Taskforce is of this type, but it is thinly funded. There is no parallel programme for the cities. "Employment Zones" and the New Deal for Communities are supply-side programmes, not development programmes; they target the employability of the labour force rather than the lack of jobs. Roads and transport infrastructure investment is running at a very low level, and there is now widespread agreement that it needs to be increased. From an employment point of view it will be essential to ensure that it supports job growth in high unemployment areas.

Physical investment is required to promote any kind of additional employment growth in the cities. But this analysis also raises the issue of policies towards manufacturing. Manufacturing is the main source of manual jobs and particularly of male manual jobs. Being almost always part of an area's export base, it brings additional jobs in its train through supplier linkages and the local income multiplier. Gudgin (1995) showed that manufacturing remained the major part of the export base for all British regions except the south east. The recent example of the US mid-west shows how big an impact a revival of manufacturing employment has on urban problems, and Ireland has demonstrated the effectiveness of discriminatory corporate taxation in promoting manufacturing employment. While a great deal could be achieved simply by addressing the causes of the urban-rural contrast in manufacturing employment change, without improving overall British manufacturing performance, it is difficult to see anything like full employment being reached without such an improvement. This would require a fundament reappraisal of attitudes to both microeconomic and macroeconomic policy.

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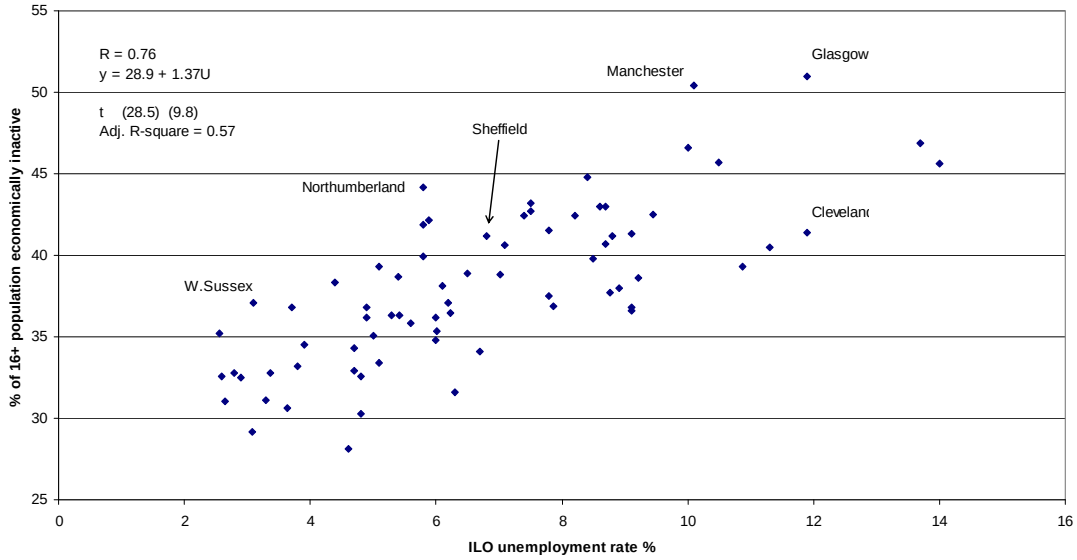
TABLE 1
GB REGIONS: DISPERSION OF ILO UNEMPLOYMENT
AND WORKING AGE INACTIVITY RATES
73 areas, Winter 1993/94 and Winter 1998/99

	1993/94	1998/99
Unemployment %		
Mean	10.1	6.7
Standard deviation	0.36	0.31
Inactivity %		
Mean	38.6	38.1
Standard deviation	0.53	0.57

Source: LFS Quarterly Bulletin/Supplement
Note: The 73 areas have been selected to highlight the urban/rural dimension
and constitute complete and mutually exclusive coverage of GB.

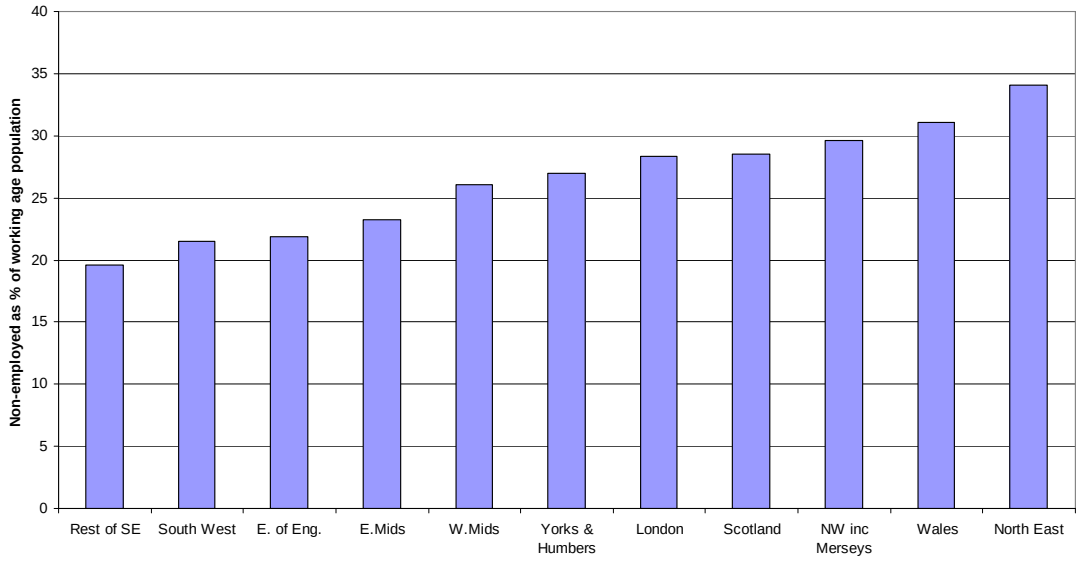
Source: LFS *QuarterlyBulletin/Supplement*

FIGURE 1 ECONOMIC INACTIVITY (all 16+) BY ILO UNEMPLOYMENT RATE, LFS Winter 1998/99
73 urban and county areas



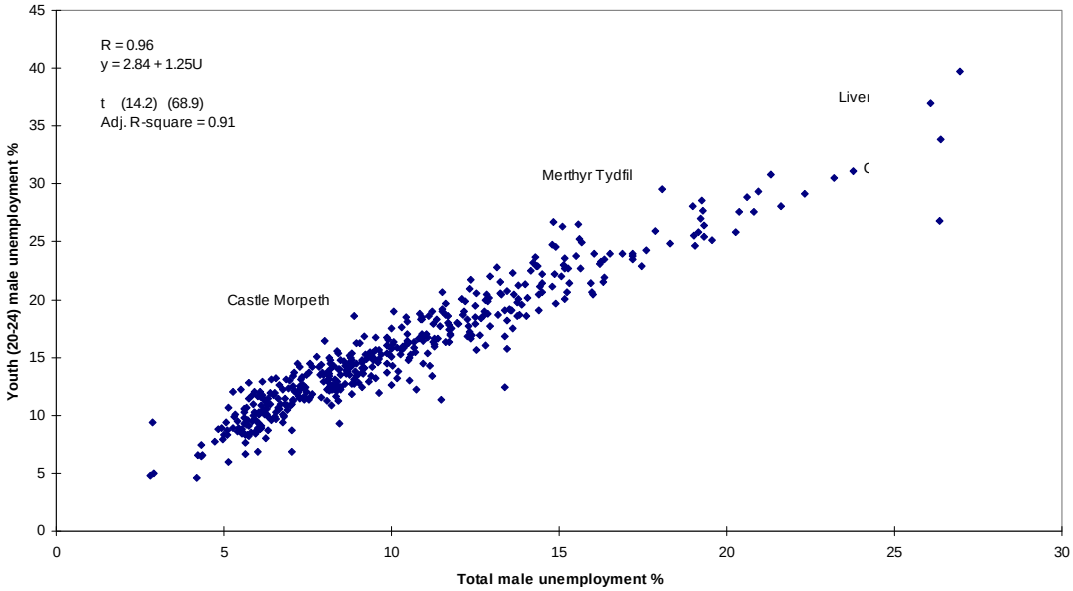
Source: LFS *Quarterly Supplement*

FIGURE 2 GB REGIONS: PROPORTION OF WORKING AGE POPULATION NOT IN EMPLOYMENT
Winter 1998/99, seasonally adjusted



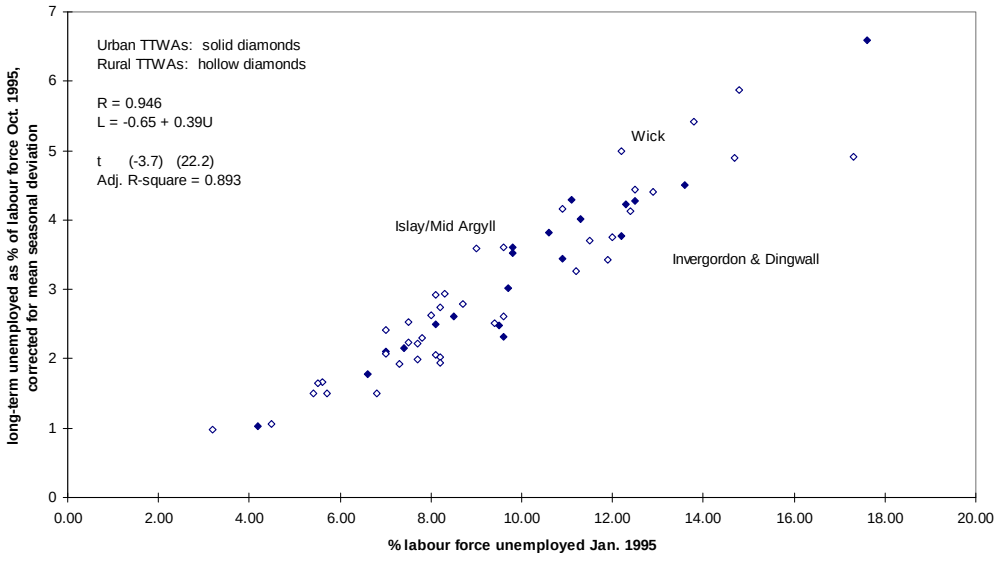
Source: LFS *Quarterly Bulletin/Supplement*

FIGURE 3 GB DISTRICTS 1991: YOUTH (age 20-24) MALE UNEMPLOYMENT BY TOTAL MALE UNEMPLOYMENT



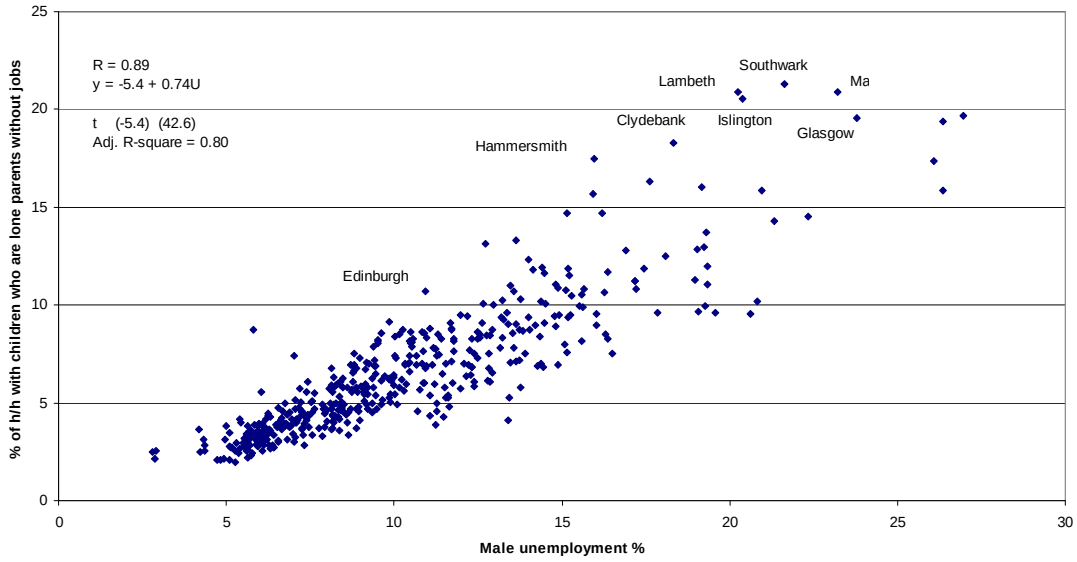
Source: Census 1991, 'Key Statistics for Local Authorities'

FIGURE 4 SCOTTISH TTWAs: LONG-TERM UNEMPLOYMENT October 1995 CORRECTED FOR SEASONALITY (mean quarterly deviation in U), BY TOTAL UNEMPLOYMENT January 1995



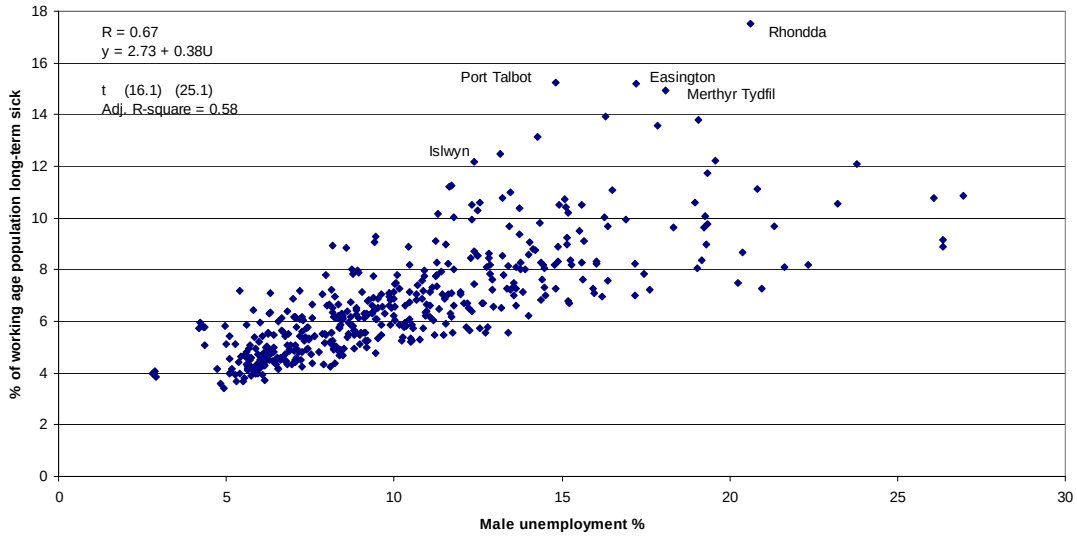
Source: *Employment Gazette*, NOMIS

FIGURE 5 FEMALE LONE PARENTS WITHOUT JOBS AS A PROPORTION OF HOUSEHOLDS WITH CHILDREN, BY MALE UNEMPLOYMENT, GB LOCAL AUTHORITIES 1991



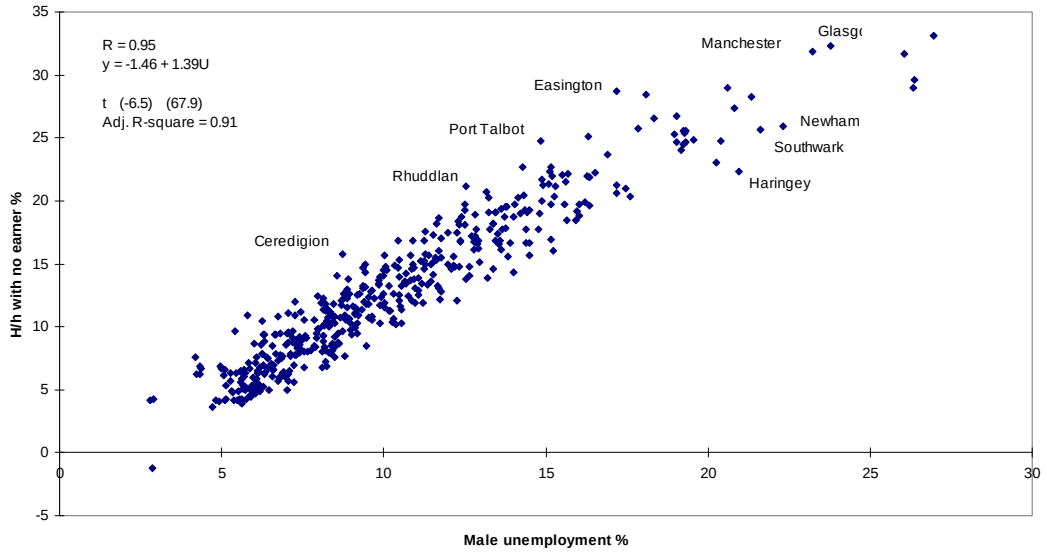
Source: Census 1991, 'Key Statistics for Local Authorities'

FIGURE 6 PROPORTION OF WORKING AGE POPULATION LONG-TERM SICK BY MALE UNEMPLOYMENT GB LOCAL AUTHORITIES 1991



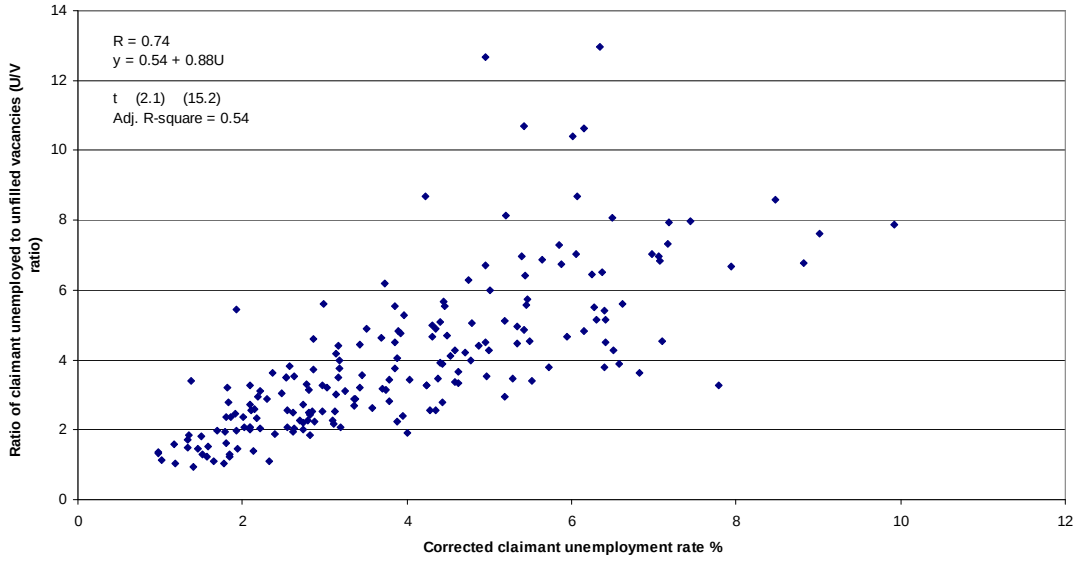
Source: Census 1991, 'Key Statistics for Local Authorities'

FIGURE 7 PROPORTION OF HOUSEHOLDS WITH NO EARNER (excluding pensioner-only h/h) BY MALE UNEMPLOYMENT - GB LAs 1991



Source: Census 1991, 'Key Statistics for Local Authorities'

FIGURE 8 U/V RATIO BY CORRECTED CLAIMANT UNEMPLOYMENT RATE, GB TTWAs July 1999



Source: NOMIS (job-centre-based unemployment and vacancies), Unemployment rate corrections as in Webster (1999a).

Welfare Reform:
Facing up to the Geography of Worklessness

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Welfare Reform:
Facing up to the Geography of Worklessness

David Webster

Introduction

The government's green paper on welfare (DWP 2006) has been widely welcomed, particularly for its centrepiece, a constructive approach to supporting the return to work of people out of the labour market through long-term sickness or disability. But does it amount to an adequate policy to address what it acknowledges is still a major problem of worklessness? Like earlier government papers, it is very confident that the problem lies entirely on the supply side of the labour market. In other words it is caused by the characteristics or motivation of workless people and not by any shortage of demand for labour: "The problem is not a lack of jobs" (p.18).

Unfortunately there is a great deal of evidence that much of the problem is indeed a lack of jobs. The two deep recessions of 1979-83 and 1991-4 devastated the economies of the former industrial areas, particularly the cities and coalfields. Since 1997 a further million jobs have been lost in manufacturing. To a remarkable extent, the areas of large scale worklessness are the same today as in 1979.

How much improvement in the last decade?

There has been an almost unprecedented long boom since 1994. But FIGURES 1 and 2 show how limited has been the progress in the decade 1995-2005 towards eliminating these concentrations of worklessness. Employment rates have risen across the board. For men, the increase in rates has been around 1% in what were already the best areas in 1995, rising to around 5%-6% in the worst areas. For women, the increase in rates has been around 4% in the best areas, rising slightly to 6% in the worst areas. But these increases, welcome though they are, still leave a very large gap between the best and worst areas. Male and female employment rates in the worst areas are still some 20% below those in the best areas now. Employment rates in the worst areas are still some 15%-20% below what they were in the best areas in 1995. There is a consistent pattern in which larger settlements have systematically lower employment rates than smaller settlements, across the whole range, although London is better overall than the other conurbations (Coombes & Raybould 2004).

FIGURES 1 AND 2 ABOUT HERE

Over time, the position for men has become worse both absolutely and relative to women. A downward trend in employment for men and an upward trend for women were already present from the 1960s, but the really big change came with the two great recessions. They both resulted in large falls in employment, of 8-10 percentage points for men, and around 2 percentage points for women. While women's employment quickly recovered each time and resumed its rise, the male employment rate has not yet returned to the 82% reached at the end of the Lawson boom in 1991, let alone the 88% of 1979. It has been on a plateau since 2000.

Some of the fall in men's employment has been due to increased participation in higher education, and some to increased early retirement associated with the growth of occupational pension schemes. However these factors do nothing to alter the picture of severe concentrations of male worklessness. FIGURE 3 tracks levels of worklessness across 120 areas of Britain in the four Censuses from 1971 to 2001, for men aged 16-49 who were not full-time students. This chart is scaled using male unemployment for the same age group in the Census 2001. It shows that in 1971 male worklessness was typically around 5%, while only in 7 out of the 120 areas was it above 10%. There was a huge rise in worklessness between 1971 and 1991, when there were two areas (Knowsley and Liverpool) above 35% and another 3 areas (Hackney, Manchester and Tower Hamlets) above 30%. By 2001 worklessness had fallen back from these peak levels, but was less than halfway to regaining the levels even of 1981, let alone 1971. Liverpool was still above 30%, along with Glasgow (not shown separately on this chart) which was the worst local authority area in Great Britain at 31%. Altogether 19 London or metropolitan boroughs, plus the large areas of Strathclyde and Cleveland, were above 20%. These are dire figures for the prime age group. This reality must be set alongside the green paper's comment (p.14) that "The UK now has one of the highest employment rates in its history".

FIGURE 3 ABOUT HERE

The causes of the problem: deindustrialisation and decentralisation

These great concentrations of worklessness are primarily due to two processes: deindustrialisation and decentralisation. Deindustrialisation, partly due to productivity gains and partly to overseas competition, has seen the disappearance of millions of jobs in manufacturing, mining and transport, mainly held by men. At the same time, decentralisation since the 1970s has seen movement of employment and population out of the cities into smaller settlements. This has been partly driven by land constraints – responsible for London's larger and earlier loss of manufacturing than other cities – and partly by residential choice, as people able to buy houses have preferred to move to smaller places.

In many cases, local job losses have been large and rapid. In Glasgow's case, for instance, almost two-thirds of manufacturing jobs were lost in only 15 years 1978-93. Of course, adjustment can take place through migration, commuting or upskilling. But research indicates that the adjustment processes are generally too small and slow to prevent decades of elevated worklessness in cases where job loss has been very large. In the Glasgow case, no adjustment by commuting has effectively been possible because the rest of the Clyde Valley has had a similar employment experience; and until the late 1990s, little adjustment by upskilling was possible

because growth in white collar jobs was small. Most adjustment has been by outmigration. But as Jackman & Savouri (1992), have shown, this works strongly only during times of boom.

There are many studies charting the processes of deindustrialisation and decentralisation and their effects in increased worklessness. The most important are Turok (1999) for the cities, Beatty et al. (1997) for the coalfields, and Rowthorn (2000) for the North. Kasarda (1989) is the classic study providing a parallel analysis for cities in the USA. Beatty & Fothergill (2004) have shown that the apparently anomalous case of raised worklessness in seaside towns can be explained in a similar way. Although their employment has expanded, it has been outstripped by in-movement of working age population.

Further evidence that concentrations of worklessness are substantially due to weaknesses in labour demand, rather than to the characteristics of individuals such lack of qualifications, has recently been put forward by Erdem & Glyn (2001) and O'Leary et al. (2005) for regions, and by Coombes & Raybould (2004) for the local authority level.

Parallel Processes: Sickness, Disability and Lone Parenthood

The green paper's concern with working age sick or disabled people reflects the enormous increase in this group since the mid-1980s. This is intrinsically related to the geography of job loss. In response to the rise in unemployment in the first great recession of 1979-83, unemployment benefits and their conditions were made less favourable, in the belief that this would push people back into work. But in areas where prospects of a job were poor, people moved on to sickness benefits instead, because they remained more generous. The process has been explained by Beatty et al. (2000). For a long time this was not accepted by central government. However, the paper by Bell & Smith (2004) marked a belated official recognition of the process, at least within the Bank of England.

FIGURE 4 shows the percentage of the working age population claiming sickness or disability benefits in May 1995 and February 2005, again with local authorities scaled using Census unemployment in 2001. The position has worsened across the board by around 1 percentage point, with only a slight relative improvement in the worst areas compared to the best.

FIGURE 4 ABOUT HERE

The green paper's second main target group is lone parents. As in earlier government papers, there is no awareness that lone parenthood is to a substantial extent a consequence of declining male employment. Being out of work has powerful effects on the father's position in the family, through such things as his lack of financial contribution, lowered status and increased tensions, and this tends to produce family breakdown. This process has already been charted for the USA by authors such as Wilson (1987), and equally strong evidence has now emerged in Britain. Rowthorn & Webster (2006) estimate that around 30% of the 1,161,000 increase in lone parents over the period 1971-2001 can be attributed to the decline in male employment.

Across areas, the level of lone parenthood is therefore strongly related to the level of unemployment. It is not surprising that lone parents have a low rate of employment, since they have to contend not only with their competing responsibilities as parents, but also with the fact that they are disproportionately concentrated in areas where it is difficult to get a job.

The government view

There has been great continuity between the present and the previous governments in their belief that the continuing concentrations of worklessness are a supply-side, not a demand-side phenomenon. A whole series of papers has come out of the Treasury and DWP since 1997 arguing this case. For a long time, many of these arguments drew on the misleading 'workforce'-based local unemployment statistics, which thoroughly confused the issue by showing high unemployment in the wrong places (Webster 2002). Fortunately, due to excellent work by ONS in withdrawing these statistics and in improving the availability of LFS-based measures at local level, this problem is now resolved. Leaving this aside, there have been two main types of argument.

Aggregate comparison of job vacancies and numbers of unemployed

The first main argument was that the aggregate number of claimant unemployed was roughly equal to the aggregate number of job vacancies, so that there was no reason for anyone to be unemployed if they took the jobs on offer. This is no longer tenable. The vacancy figures which were used were disowned by ONS (Bentley 2005) and fresh estimates of vacancies based on a new national employers' survey produced a much lower total than that of claimant unemployed, some 650,000 rather than the 1m claimed by the Treasury (*Financial Times* 14/12/2002). There are other problems about vacancy data, in particular that vacancy levels are affected by different rates of turnover of staff in different industries, not just by the balance of demand and supply (Webster 2000). In addition, people on sickness benefits who want to and could work – effectively estimated by the green paper at around one million – have to be added to the claimant count.

Local comparison of jobs with population or numbers out of work

The other principal argument that there is no shortage of jobs is based on the apparently abundant availability of jobs in high unemployment areas, particularly cities. This appears in two versions. One points to nearby jobs growth, as in the statement 'something like 90% of Britain's long-term unemployed live within 45 minutes of a jobs growth area' (*Observer*, 7/12/1997). Coombes & Raybould (2004) have shown that it is simply not true that areas with low jobs growth are generally found near to areas with high jobs growth. The reverse is the case.

The other version, repeated in the green paper (p.18), points out that cities have high ratios of jobs to population ('job ratios'): 'employment rates are lowest in the major cities, where there is at least one job per person'. But the availability of jobs to unemployed people at a particular location cannot be measured in such a simple way. Labour markets have a spatial structure conforming to the gravity or spatial interaction models used to analyse migration, shopping and travel (Webster & Turok

1997). There is a 'friction of distance', created by the money and non-money costs of travel, which limits people's 'employment field', particularly if their earning capacity is low. This same friction also means that people face less competition for jobs in their own area than elsewhere, because of the costs faced by incoming competitors. These two factors together mean that people's commuting propensity conforms to an inverse exponential 'power function'; the further away an area is, the less likely people are to work there. If the true availability of jobs at a particular location is to be calculated, the relevant power function must be taken into account not only for the area's residents, but also for the residents of all the other areas from which commuting to this area or to the other areas in the primary area's employment field takes place. This is a complex but perfectly feasible computation (Shen 1998).

Such an analysis discloses the poor employment opportunities available to many city residents. Conversely, it reveals the good employment opportunities often available to people living in areas such as suburbs which have low job ratios. One of the main attractions of these areas is precisely the fact that they are almost purely residential. Housing markets as well as labour markets play a role. To a large extent, it is the city workers who are successful in obtaining jobs who have the money to exercise a choice for suburban living, and then commute back into the city. This creates the appearance that city residents have a greater tendency to be unemployed, when the reality is that it is the unemployed who have a greater tendency to be city residents.

Supply-side policies

The government focus on supply-side explanations of worklessness has led to supply-side labour market policies. The development of a more proactive employment service, oriented towards identifying people's labour market handicaps and helping to remedy them, has been universally welcomed. But the effectiveness of mass programmes targeted at particular groups is much more doubtful. The findings already presented indicate that in the aggregate, these programmes have had rather little effect to date in narrowing the differences between high unemployment and low unemployment areas. The main targets of the early programmes were young people and the long-term unemployed. Sunley et al. (2001) showed that the New Deal for young people was much less effective in high unemployment areas, and recent evidence suggests that the programme has made little difference to youth unemployment measured on the LFS rather than claimant count (*Financial Times*, 15/12/2005). There is strong evidence that long-term claimant unemployment would have come down anyway, with the general fall in unemployment (Webster 2005).

There are similar reasons to question the likely effectiveness of purely supply-side programmes aimed at the green paper's target groups. LFS data first published in 2002/3 show that across areas, employment rates for disabled people fall systematically with rising unemployment – in other words a disabled person's employment prospects depend on the state of the local labour market, and not only on their disability. While, as the green paper says, there has been a substantial increase in lone parents' employment, it has been evenly spread so that high unemployment areas – where most lone parents are concentrated – have seen increases no greater than those of low unemployment areas, leaving the gap between them as large as before. Similarly, figures to 2002 show that the take-up of working tax credits has increased much less for lone parents in high unemployment areas than for those in

low unemployment areas. This almost certainly reflects the greater buoyancy of women's jobs in the prosperous areas.

Conclusion: The need for urban and regional policy

It is important to acknowledge the constructive steps that the government has taken. It is now in agreement with its critics in giving top priority to people on sickness and disability benefits who could be in work. In successive stages, it has brought about dramatic improvements in the financial incentives to take a job, and removed many obstacles to the transition from benefits to work. But there is a much stronger case for demand-side action than the government acknowledges. This essentially lies in the slowness of the processes of adjustment to job loss. Where the economic and social costs of worklessness are very large and are going to be prolonged, it makes sense to promote jobs by hastening the processes of recovery. Investing in transport, water and sewerage and other infrastructure together with dealing with the exceptional costs of derelict land reclamation are often the most important, but really what is needed is a specific recovery plan for each area worked out between central and local government and other interests. This case has recently been ably put by the House of Commons ODPM Committee (2003) and by Fothergill (2005). It makes sense to acknowledge that lack of labour demand is often a particularly large factor in the local situation, and to look with an open mind for the opportunities which would enable this to be addressed.

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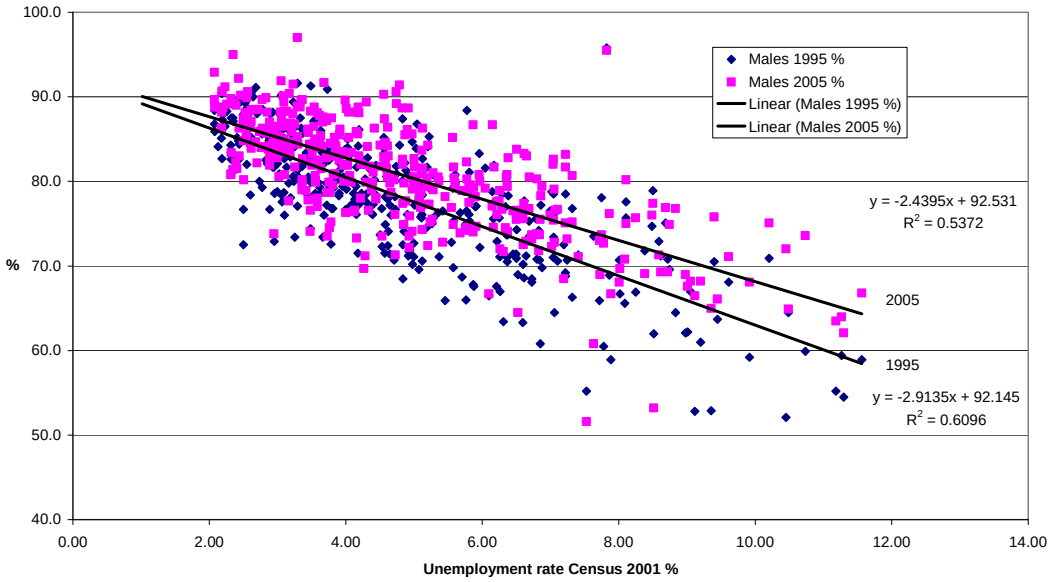
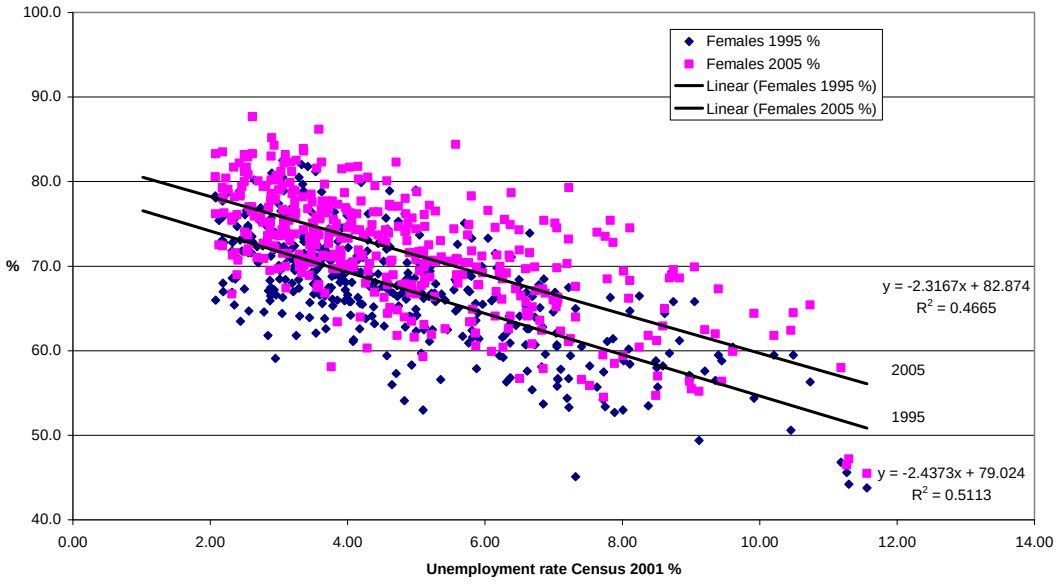
FIGURE 1 MALE EMPLOYMENT RATES, GB LAs, 1995 & 2005



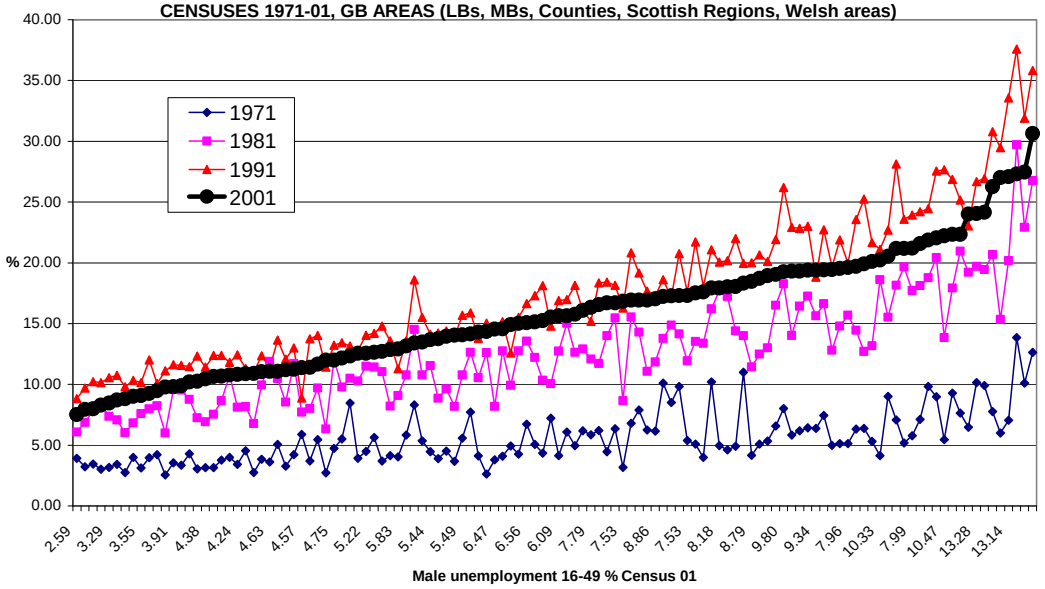
Source: LFS 4-quarter averages (NOMIS)

FIGURE 2 FEMALE EMPLOYMENT RATES, GB LAs 1995 & 2005



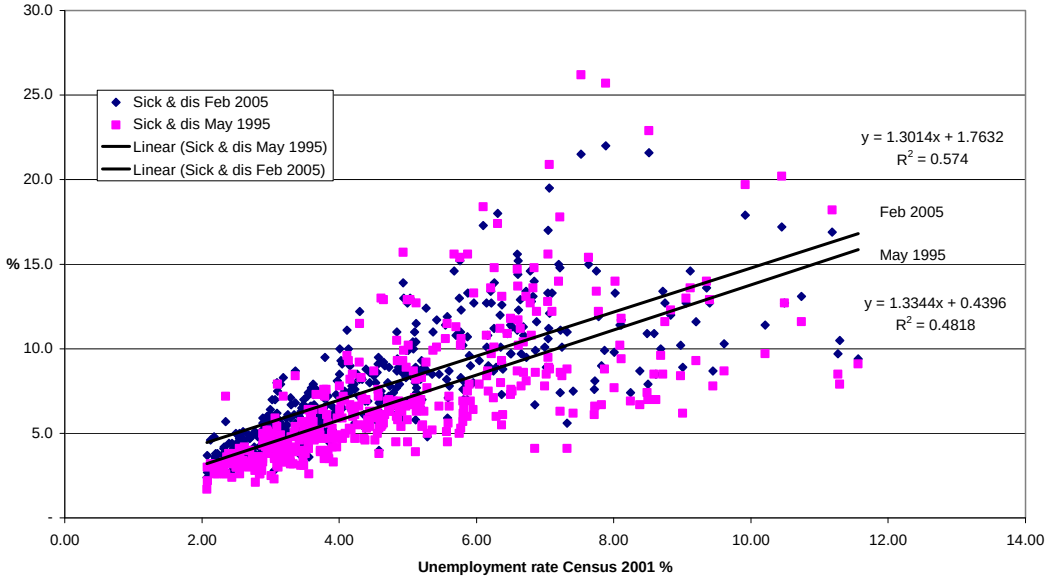
Source: LFS 4-quarter averages (NOMIS)

FIGURE 3 PROPORTION OF MEN AGED 16-49, NOT FULL-TIME STUDENTS, WHO WERE NOT EMPLOYED
CENSUSES 1971-01, GB AREAS (LBs, MBs, Counties, Scottish Regions, Welsh areas)



Source: Census. For details of sources and methods see Rowthorn & Webster (2006).

FIGURE 4 SICK & DISABLED CLAIMANTS AS % OF WORKING AGE POPULATION
GB LAs May 1995 & Feb 2005



Source: DWP Cross-Benefit Analysis. The population figures for 1995 have not been updated to the post-2001 Census estimates. If this was done the increase in sickness rates would appear a little smaller.

The New Deal: Jeopardised by the geography of unemployment?

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Article for *Local Economy*, February 1998

Introduction

The New Deal is Labour's flagship programme to "end the tragic waste of youth and long-term unemployment" by getting people off welfare benefits and into work. The scale of resources involved (£3,500 million) and the high profile consultative events held with private employers, public bodies and voluntary organisations suggest a clearer commitment from a UK government to tackle unemployment than has been seen for many years. It deserves serious consideration by practitioners and researchers, even if for no other reason than if it fails, precious popular support for public action on unemployment may be set back a long way.

The New Deal has several key features to be borne in mind at the outset. It is financed by a one-off windfall tax on the excess profits of the privatised utilities, rather than a recurring commitment of public funds. It is intended to operate on a large scale, initially covering all those under 25 and registered unemployed for over 6 months, then extended to long-term unemployed adults, those under 25 and short-term unemployed, lone parents out of work, and ultimately people on incapacity benefit. In the classic tradition of initiatives of this kind, it has been introduced essentially as a stand-alone national programme with its own rules and procedures.

Much of the public discussion to date has focused on these rules (particularly the issue of compulsory participation), technical details (such as the restricted duration of the training available), the target groups (the possibility that the most disadvantaged will get marginalised by output-related funding), the limited recruitment incentives for private employers and the quality of the work experience on the environmental task force and voluntary sector options (which may suffer from underfunding).

Little attention has been given to the fundamental rationale and policy orientation of the programme - the focus of this paper. We argue that the principal weakness of the New Deal is that it seeks to influence the character of labour supply (ie the motivation and skills of the unemployed) while neglecting the state of labour demand, which varies greatly between places. The uneven geography of unemployment in the UK is likely to have a crucial bearing on the programme's impact and effectiveness, but this has been largely ignored in its development. The paper outlines some of the practical consequences of this imbalance and suggests how it could be rectified for the programme to be more effective.

During its first 6 months in office Labour has shown tentative signs of willingness to adjust details of the New Deal. They may allow self-employment to become an additional

option and the public sector to be included within the employer option, and may alter the balance between youth and adult target groups in recognition of the recent falls in registered youth unemployment. However, the overwhelming supply-side emphasis has persisted. There has been no acknowledgement of the need to address the deficient demand for labour in many places by supporting projects which actually expand employment there.

Elements of the New Deal

The New Deal consists of a range of measures to equip the long-term unemployed to compete better in the labour market (DfEE, 1997a). The first "Gateway" stage aims above all to get people directly into work through help with intensive job searching, careers advice and guidance lasting for up to 4 months. If they fail to get a job at this stage they are offered one or more of four options: a subsidised placement with an employer, work experience on an environmental task force or with the voluntary sector (all last for up to 6 months and include an element of training), or full-time education or training (for up to 12 months). They are also offered follow-up support during and after these options to help them find employment. People who fail to take up offers of specific places on the options lose their unemployment benefit for 2 weeks initially; with each subsequent refusal the length of the loss of benefit increases. According to the euphemism, there is "no fifth option".

The Employment Service has lead responsibility for implementation. They aim to deliver the programme through "local partnerships", including local authorities, voluntary organisations, TECs/LECs, colleges and private training providers. The specific arrangements are expected to vary from area to area according to local needs and institutional structures. An immediate area of uncertainty is how and why local agencies should come together, since the contracts for delivery of most elements are to be allocated through competitive bidding and many of them will be rivals for funds, participants and employer placements. This, coupled with the emphasis on *delivery* in the local partnerships, means that issues of programme design and balance are bound to be determined centrally. Local flexibility may be limited to the detailed organisational arrangements. Consequently, it is likely to prove difficult to integrate the New Deal properly into existing provision. The heavy imprint of the Employment Service is already clear from the early documentation. There is a strong emphasis on detailed operational rules and prescriptive procedures, with little apparent scope for local discretion and no consideration of the underlying rationale, policy principles or vision of what the programme might achieve (see eg DfEE, 1997a). One has to look elsewhere for any discussion of these.

Underlying Assumptions

It is apparent from the origins and current content of the New Deal that it is based on a view of long-term unemployment which attaches overwhelming emphasis to aspects of labour supply, such as the lack of skills or work incentives on the part of the unemployed (for its origins, see eg CSJ, 1994, Chapter 5). There are two theories of long-term

unemployment that could, if correct, provide a justification for the programme. Ministerial statements and press releases have echoed these ideas, indicating their resonance with the New Deal. The implication of both theories is that a temporary programme to raise people's employability and get them off benefits will permanently cut unemployment.

One theory states that the experience of unemployment makes people less employable, through depletion of skills, erosion of work habits, discrimination by employers and less intensive job searching the longer people are unemployed (Budd et al, 1988; Layard et al, 1991; OECD, 1988). The Treasury press notice announcing the New Deal stated: "Long spells of unemployment at a young age have a serious scarring effect on people, detrimental to both their motivation and future employability" (HM Treasury, 1997). If true, this "withering flowers" theory is very important because it implies that the long-term unemployed have become detached from the labour force, forming a large pool of people who are basically unemployable, which has been "ratcheted up" over time. This is said to cause the overall economy to run at an unnecessarily high "natural rate of unemployment" because the long-term unemployed are poor "inflation-fighters". If the long-term unemployed could be reskilled and reconnected to the labour force, they would put downward pressure on wage inflation and allow the economy to operate at a higher level of employment. Before the election, Labour's New Deal adviser, Richard Layard, suggested that unemployment could be brought down by 440,000 over 5 years by a programme of precisely this kind costing £1,500 million (Layard, 1997).

The second theory states that people remain unemployed for longer because welfare benefits give them an incentive to do so (Layard et al, 1991; OECD, 1988). The above-mentioned press notice also stated that unemployment "entrenches a culture of dependency" (HM Treasury, 1997). If true, this "replacement ratio" theory suggests that countries will have higher levels of long-term unemployment where the ratio of benefits received by people out of work is relatively high in relation to net wages in work, and/or where the duration of benefits is longer. The obvious policy implication is that benefits need to be reduced in scale or duration in order to ensure that the long-term unemployed have sufficient incentive to take whatever jobs are available. The link with the New Deal is clear, both in terms of the benefit sanctions for failure to participate and the low level of allowances on the environment and voluntary sector options. This was recommended at existing benefit level plus £20 to ensure that participants are "impatient to get into regular jobs" (Layard, 1997, p 4).

In fact, there is little evidence of a distinct long-term unemployment problem separate from the overall unemployment problem. "While people's morale and self-esteem may well be influenced by the experience of unemployment, there is little evidence that this in itself has a significant impact on their future employment status, or that it creates a lasting problem of long-term unemployment which is not resolved by an increase in employment. A detailed study looking at a wide range of cross-section and time-series data found that the rate of long-term unemployment is closely related to the overall rate of unemployment (Webster, 1997a). The relationship between long-term unemployment

and total unemployment does not change as unemployment rises, as the theories suggest it should. Long-term unemployment also falls as unemployment falls, in the same way as it rises. Comparing the position across different localities, regions and nations, long-term unemployment also emerges consistently as a simple function of overall unemployment.

What basically happens is that as the balance between labour demand and supply worsens in an area, more people become unemployed and they stay unemployed for longer. The reverse is true when employment conditions improve. The main explanation for long-term unemployment must therefore be the shortage of jobs, which is more acute in some places than in others, and at some times than at others. The same conclusion was reached about youth unemployment in a recent study for the Council of Churches for Britain and Ireland: "the main explanation for youth unemployment is the deficiency of demand for labour overall" (CCBI, 1997, p 38). The clear implication of all this is that special supply-side measures focused on the youth and long-term unemployed are less important than efforts to create suitable jobs for the unemployed in the places where unemployment is high.

Geographical Variations in Labour Demand and Supply

The New Deal and the theories on which it is based are seriously weakened by their neglect of the geography of unemployment and economic performance. Labour market conditions and the causes of unemployment vary between places, so the policy solutions and packages of relevant measures should differ accordingly. Some local labour markets are relatively tight, in which case supply-side barriers to employment may be a significant constraint on growth, perhaps in the Aberdeen or Cambridge areas. Wage inflation may possibly be an issue here, and measures to enhance the employability of the long-term unemployed may have a part to play in facilitating economic expansion.[1] However, in many British towns and cities the fundamental problem is insufficient demand for labour, with a particular shortage of manual jobs.

The places which need the New Deal most are areas which have experienced a steady decline in traditional industries and limited compensating job growth. These relatively depressed local economies are the very places where it will be most difficult to help people get jobs through the provision of basic training, work experience or employer subsidies. It will also be hardest here for them to price themselves into jobs given the scale of existing competition for vacancies. The national minimum wage may contradict the logic of this adjustment process too. The priority in these areas should be to create additional permanent jobs, and the considerable resources of the New Deal should be made available for this purpose.

In the rest of this section we show how the geographical distribution of all four New Deal target groups — unemployed youth, long-term unemployed, lone parents and the long-

[1] Note that the barriers to employment in these localities typically involve shortages of highly skilled workers more than unskilled labour. The 12 month time limit on the New Deal education and training option is unlikely to do much to alleviate the problem of skills mismatch.

term sick - appears to match that of total unemployment, with minor variations. In areas of high unemployment, the programme will be trying to push all four groups into jobs in local labour markets already suffering from an acute over-supply of labour. Moreover, these areas have already had considerable experience of government supply-side labour market programmes (Gardiner, 1997). We discuss the practical consequences of this later.

Figure 1 shows the rate of unemployment for young men (20-24) plotted against that for all men for local authority districts in Britain, drawing on Census of Population data for 1991. It demonstrates that youth unemployment is closely related to overall unemployment: areas with high total unemployment have high youth unemployment, and vice-versa. This finding is supported by a recent international study of youth unemployment across 15 countries which concluded that "the most likely cause for the adverse labour market experiences of youths is the high overall rate of unemployment" (Blanchflower and Freeman, 1996).

Suitable data for comparing long-term unemployment are more difficult to obtain from national sources, so they must generally be secured from individual local authorities. **Figure 2** shows the relationship between long-term and total unemployment for the 19 Districts of Strathclyde at five different points in time. The Districts have moved up and down roughly the same path on the graph, depending on the business cycle. Glasgow has always had one of the highest unemployment rates and East Kilbride one of the lowest. In a year when unemployment was cyclically low, such as 1996, Glasgow had a very similar level of long-term unemployment to East Kilbride when its unemployment rate was at the same level, in 1986. The conclusion that long-term unemployment is closely linked to total unemployment is supported strongly by data from other localities too (Webster, 1997a).

In terms of lone parents, **Figure 3** shows an important link between the proportion of households with children which are headed by female lone parents, and male unemployment. The connection actually goes much further, since the proportion of female lone parents who are out of work and the proportion who are economically inactive are also closely linked to male unemployment (Webster, 1997b). Put simply, in prosperous areas where male unemployment is low, a high proportion of lone parents are in work, but in depressed areas where a lot of other people are also looking for jobs, only a small proportion of lone parents manage to get work. If jobs are scarce, women may stay at home or get involved in voluntary work or other unpaid activities and not bother to declare themselves as unemployed. An implication is that the challenge to the New Deal for lone parents clearly goes well beyond the provision of childcare and training.

Figure 4 shows that long-term illness is also strongly related to unemployment. The scale of registered long-term sickness has risen enormously since 1980, and the rate of increase has accelerated since 1991. This goes a long way towards explaining the discrepancy in many areas between the large fall in registered unemployment since 1991, and a small increase in employment. It has been estimated that the number of people on sickness benefits who would have been in work, in circumstances of full employment, more than doubled between 1991 and 1997 to 1.26 million (Beatty et al, 1997). As an

aside, the level of New Deal resources initially earmarked for people on incapacity benefit (£200 million), lone parents (£200 million) and long-term unemployed adults (£350 million) seem paltry compared with those devoted to unemployed youth (£3,150 million) (HM Treasury, 1997), given the relative scale of these problems.

Unemployment and Job Loss

Huge geographical shifts in employment have taken place in the last two decades, particularly in manufacturing. **Figure 5** shows the change in total jobs for Scottish districts between 1981 and 1991. There was a huge range, from an increase of over two-thirds in Skye and Lochalsh to a fall of a third in Cumnock and Doon Valley. A general "urban-rural shift" of manufacturing jobs in Britain is well documented. It has been superimposed on the national fall in manufacturing employment of over 50 per cent since the late 1960s. In the worst-affected areas, such as Cumnock and Glasgow, blue-collar jobs - those most relevant to the unemployed — have fallen far more than total employment: by 30 per cent in Glasgow between 1981 and 1991, compared to under 3 per cent in Scotland outwith the Clydeside conurbation. The fall in Liverpool was 40 per cent.

Unemployment is closely related to changes in employment. **Figure 6** shows that across all the large British cities, male unemployment in 1991 was strongly linked to the change in employment between 1981 and 1991. Cities which gained jobs — such as Aberdeen, Edinburgh and Leeds — had far lower unemployment rates than cities which had large job losses - such as Liverpool, Manchester and Glasgow. High unemployment has persisted in precisely the areas which lost most jobs, indicating the adjustment difficulties facing displaced workers and their families. The intimate connection between changes in employment and unemployment serves to emphasize the importance of policies which affect labour demand as well as labour supply.

Given their importance, how should the geographical variations in employment conditions be analysed and treated? In particular, what spatial units are appropriate? Attempts to properly understand and tackle unemployment are hampered by a lack of reliable data. The only regular government statistics on local unemployment are for Travel-to-Work Areas (TTWAs). These are treated officially as the key building blocks for comparing labour market conditions in different places and defining priority areas under UK and EU regional policies.

In fact, TTWAs conceal the most important concentrations of unemployment within average rates for artificially large areas (Webster and Turok, 1997). The latest revisions using the 1991 Census have created even larger areas than before, particularly in and around the major cities. Edinburgh's latest TTWA includes West and East Lothian for the first time. Glasgow's includes Cumbernauld, Coatbridge, Airdrie, East Kilbride, parts of Renfrewshire (Bridge of Weir and Kilmalcolm) and Stirlingshire (including Drymen and Balmaha). Their scale may have confused policy makers about the very high levels of unemployment in the inner cities and peripheral estates, since they are averaged with low rates for the prosperous suburbs and some of the surrounding towns. They could also

have given a misleading impression of the distances which most of the unemployed are able to travel to work. As a result, TTWAs may have contributed to the diversion of economic development efforts away from the locations where jobs are needed most. The New Deal should be developed on the basis of smaller geographical units than this to ensure they focus on unemployment hotspots.

Employment Zones

The New Deal lacks a spatial perspective, with one exception – Employment Zones. The initial intention is that up to five such Zones are to be selected in a competition open to eight areas of high long-term unemployment across the country (DfEE, 1997b). Judging from the prospectus, these seem to have peculiar boundaries based on Employment Service districts which bear no consistent relationship to functional regions, local unemployment concentrations or meaningful administrative units for local authorities or other development bodies. They are described as Glasgow, North Wales, Plymouth, Liverpool, Teeside, Wakefield/Doncaster, Birmingham and North West London.

The emphasis in the Zones will be on offering long-term unemployed adults a slightly wider range of options than available generally under the New Deal. They include additional scope for education and training (Learning for Work), temporary work experience and training on intermediate labour market-type projects (Neighbourhood Match), and assistance with business planning to facilitate self-employment. The additional resources available are very modest in relation to the wider New Deal (£33 million, or about 1 per cent of the total budget). For each Zone there will be £1,000 per participant for up to 1,000 participants at any one time (DfEE, 1997b). Assuming that the average length of time spent by participants on projects is between 6 and 12 months, the total sum available for each Employment Zone will be about £1-2 million per annum. Yet a city such as Glasgow expects to get between £70-90 million (or about £15-20 million per annum) under the main programme, on the basis of its share of long-term unemployment.

Another feature of the Zones is the encouragement to use welfare benefits and existing training programmes with more flexibility to improve the quality of support to job seekers. "At present legislation does not permit flexible pooling of money voted by Parliament for separate purposes. Ministers are, therefore, seeking to test the approach within the limits of existing legislation" (DfEE, 1997b, p 4). Local partnerships are to be set up and urged to develop an integrated strategy involving all public, private and voluntary bodies concerned in some way with long-term unemployment. An indicative list is provided of 20 different kinds of organisation that might be included, ranging from the police and probation service to religious groups, schools, local authorities and development agencies. In fact, the financial incentives and timescale for these agencies to collaborate are hardly serious. The prospectus emphasizes that: "Employment Zone provision should not compete with or duplicate what is already in place and successful" (DfEE, 1997b, p 6). This is laudable but unrealistic in what is already a crowded marketplace for services of this kind. The initiative has insufficient leverage over the range of existing funding streams and policies to bring about any significant (and

genuinely needed) realignment, coordination or integration of existing national and local employment schemes.

The main reservation about the Zones is that they do not address the shortage of labour demand in these places. Except for helping people to become self-employed (which seems likely to become more widely available anyway), they are similar to the New Deal options and involve only temporary work and training opportunities for participants. The quality of support may be slightly better because of the extra funding and flexibility, but the approach is fundamentally unchanged. "The objective is to improve individuals' employability and *if possible* secure their sustainable employment" (DfEE, 1997b, p 7, emphasis added). The key unanswered question is what happens to people 6 months or a year after completing their support programme if there are no more jobs available in their areas? Starting a business is not realistic for most people in the target groups, who lack the necessary financial resources, assets for collateral and managerial/marketing skills. The conditions for high rates of new firm formation are generally weakest in the areas of highest unemployment in Britain (Ashcroft et al, 1991). Experience suggests that business start-up programmes have modest employment effects when targeted towards the unemployed in areas of low income, especially taking into account displacement effects (Storey, 1994; Turok and Richardson, 1991).

Some of the academic exponents of the New Deal appear to recognise that there are not enough jobs in some places. Layard himself has stated: "In an isolated labour market the adjustment process can of course be difficult ... In such areas there will have to be major job-creation projects as well" (Layard, 1997, p 3). This advice is not reflected in the Zone proposals. Yet these would appear to be precisely the situations in which major additional job-creation programmes are required. The Employment Zone emphasis on benefit constraints, skill deficiencies and individual employability seems particularly misplaced in these areas.

Practical Consequences of the New Deal

Implementing the New Deal unchanged in areas of high unemployment is likely to fail expectations and may even prove counter-productive. The shortage of jobs relative to the numbers unemployed is bound to mean fewer opportunities under the prized "employer option" than available elsewhere, requiring greater reliance upon the voluntary, environmental and education options. These are likely to prove less effective at getting people into permanent jobs than equivalent projects in other places, for the same reason, thereby reinforcing the impression of a second-class programme in these areas. Coupled with the threat of benefit sanctions, this may make many people reluctant participants on projects, with detrimental consequences for management styles, discipline, the quality of people's shared experience and scope for mutual support. It will also undermine the schemes' ability to retain participants for the full duration and expose them to the range of opportunities designed to help them make progress in the job market. Subsequent blame for failure might be attributed wrongly to the unemployed themselves or to the local organisations running these projects. Understandable disaffection and resistance to the revolving door of one scheme after another would also lead to larger-scale benefit

sanctions than elsewhere. This would reduce incomes and increase hardship in the poorest communities, and might contribute to other problems such as homelessness and possibly crime. Areas of low unemployment would not be affected to the same extent, so geographical disparities across Britain for all sorts of variables and unintended consequences would widen further.

An additional consideration is how the new programme relates to the large number of existing supply-side measures common in areas of high unemployment. Many are similar in broad respects to those of the New Deal. Some are high-volume national programmes with standard terms and conditions, little flexibility and low unit costs, such as Training for Work, Youth Training, and a host of schemes geared to job search, recruitment incentives and benefits in- and out-of-work. Important doubts have surrounded their economic impact and quality for many years (for recent analyses, see Bewick, 1997; Fletcher, 1997; Gardiner, 1997). It remains unclear to what extent the New Deal will be different or better, since much depends on implementation in practice.

Other initiatives are smaller-scale and tailored to local circumstances, having developed in a more organic fashion over the years. Some are spatially targeted and part of comprehensive area-based regeneration programmes. Others are linked into demand-side measures and devised with particular employment opportunities in mind to ensure client progression. Available evidence suggests that at least some of them are working reasonably well in difficult circumstances (eg Emmerich, 1997; Grimes, 1996; Marshall, 1997; Turok and Healy, 1994). Many offer a wider range of support and better integrated provision, including independent guidance and counselling, personal development and vocational training in flexible packages, customised training for specific vacancies, work experience paying the rate for the job and providing transferable skills, complementary child-care, intensive assistance with job seeking, and progressive wage and training subsidies to private employers with some obligation to keep recruits on afterwards. The ethos is voluntary rather than compulsory participation for the unemployed, which enhances motivation and channels it constructively. If the New Deal simply substitutes for, or crowds out, these schemes it will be providing nothing new. Indeed it will probably be replacing existing quality services with an inferior programme, and causing irresponsible disruption to provision since its funding is only temporary.

Given its considerable resources and separate administration, the New Deal could end up merely adding a raft of new volume programmes to existing provision. Substantially expanding the scale of supply-side measures in areas of high unemployment could prove a waste of money and produce adverse effects in increased "churning" of people into and out of temporary projects and work placements, with no lasting reduction in unemployment. In fact, it will create greater instability and uncertainty for the people concerned, promoting further disillusionment with government "schemes". This could affect their commitment to education and training more generally, and prompt some to withdraw from the labour market completely for the underground economy. It is very difficult to see how any putative macro-economic benefits may arise in these areas through downward wage adjustment and consequential employment growth, since their economic problems are far more structural than wage-related. Inundated with requests for

placements from employment agencies and the unemployed, but offered only a relatively small, flat-rate recruitment subsidy, many but the lowest-paying employers may simply ignore what they perceive to be another cynical government scheme to remove people from the unemployment register. Desperate for placements, agencies may turn a blind eye to employer abuse through displacing existing workers by New Deal recruits and replacing one of these after another at the end of the subsidy.

Modifications to Increase Labour Demand

Ministers may need to be reminded of earlier statements accepting the need for local variations, particularly to redress the supply-side emphasis in areas of high unemployment. The Employment Minister, Andrew Smith, has stated: "Rigid blueprints parachuted in from Whitehall are not the answer. The New Deal will be flexible in design ... It will rely on communities pulling together, meeting local needs with local solutions through local partnerships ... It will include building on the best of those local programmes and partnerships already working" *(Financial Times*, 17th July 1997). The current policy reviews being undertaken of urban regeneration and regional development in England provide an opportunity for more imaginative integration of the New Deal resources with other departmental funds to establish genuine comprehensive approaches to urban unemployment and economic development. Announcing the review of the Single Regeneration Budget, John Prescott said: "We want to promote employment and investment for sustained economic growth and at the same time promote opportunity and fairness" (quoted in London Housing Unit, 1997). A reinvigorated Scottish urban policy is just as urgent.

The priority in areas of high unemployment is to create additional jobs. These should be durable, not dependent on an ongoing subsidy, because the New Deal resources are one-off. This tends to militate against work-experience and training projects engaged in socially useful activities in the environmental, health, education, social work and related fields - that might otherwise have important attractions - unless they can be converted into self-financing enterprises generating income from beyond their areas. The New Deal needs to prioritise efforts to strengthen and diversify the productive base of these areas, with a particular focus on increasing manual employment within easy reach of unemployment concentrations.

Increasing the "additionality" of the New Deal should not be too difficult in some respects, from what has already been said. There is certainly potential for much more to be achieved. Two of the institutional requirements are greater flexibility at national level and trust in local organisations, so they can build on their understanding of local development needs and priorities, and strengthen their capacity to implement policies effectively. Local scope to determine expenditure priorities is important to ensure relevance and responsiveness to key demands for services and investment. Local control would make it possible to package the funds with other public, and indeed private, sources of finance to ensure they go further and maximise their economic impact. The nature and scale of the resources offer a unique opportunity for major investment projects that have hitherto been neglected because of financial constraints or risk-averse decision

making afflicting funding authorities and development agencies in recent years. A further guiding principle should be for New Deal projects to complement, and be properly integrated with, existing development strategies and regeneration programmes, not competing with, duplicating or replacing them, unless deficient.

The traditional instruments of regional and urban development are important in many old industrial towns and cities, including improvements in basic economic infrastructure, strategic roads and industrial estates. They could have a lasting impact in attracting, retaining and facilitating economic development in areas suffering from industrial decline, decentralisation and dereliction. They lack the appeal of glamorous flagship property schemes and *ad hoc* events favoured by competitive sources of capital spending, such as the Lottery or Challenge Funds. Yet they may have a bigger economic impact, initially through construction jobs, but more importantly by establishing the conditions for inward investment and self-sustaining development. Cities with an old Victorian physical layout, such as Glasgow, need modern infrastructure and improved transport links to open up large areas of vacant land for economic development and new housing, thereby helping to retain and recentralise employment and population, producing physical environmental spin-offs, savings in travel and energy consumption, and improved job access for the unemployed.

Integrated into broader regeneration strategies, it soon becomes clear how a flexible New Deal could serve a valuable purpose in economic, social and human resource terms. For example, an environmental taskforce could play an important role in reclaiming and upgrading brownfield sites. Some of this work involves fairly straightforward landscaping that could be done by unskilled labour on temporary projects, but some would require more complex treatment to decontaminate the land for productive after-uses. A carefully planned environmental initiative with proper training for participants and a phased work programme across the city could maximise the opportunity for progression between sites, help people to advance their skills and experience over time, and lead to long-term positions for many of them. The contrast with a short-lived proliferation of unconnected schemes covering activities such as litter removal, stone paving and tree planting, with little regard to the longer-term economic and human consequences, could not be clearer.

Conclusion

The New Deal provides an important opportunity to do something significant about unemployment in the UK. Evidence about the nature and geography of long-term unemployment implies that its rationale requires reconsideration and its supply-side emphasis needs to change. In particular, it needs to be modified to become more relevant and responsive to diverse labour market conditions in towns and cities across the country. Two fundamental changes are required. First, the scope needs to be broadened to encourage projects that lead to an increase in the number of permanent jobs in areas of high unemployment. Second, greater flexibility should be permitted to allow the resources to be incorporated more effectively into better balanced and properly integrated local economic development and urban regeneration strategies.

Acknowledgement

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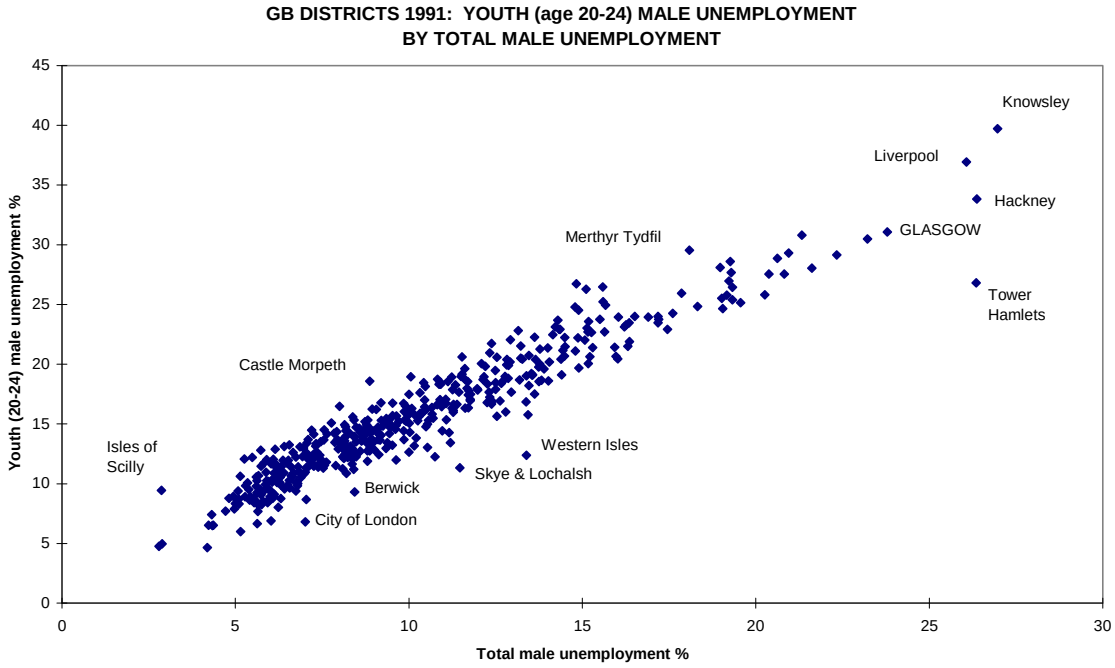
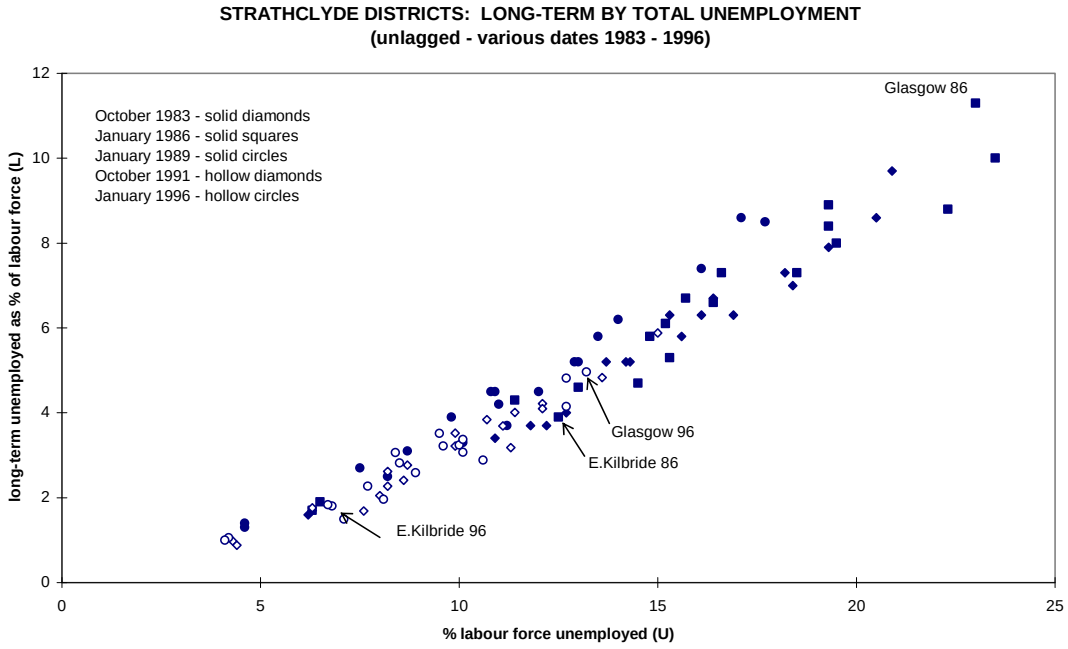
Figure 1



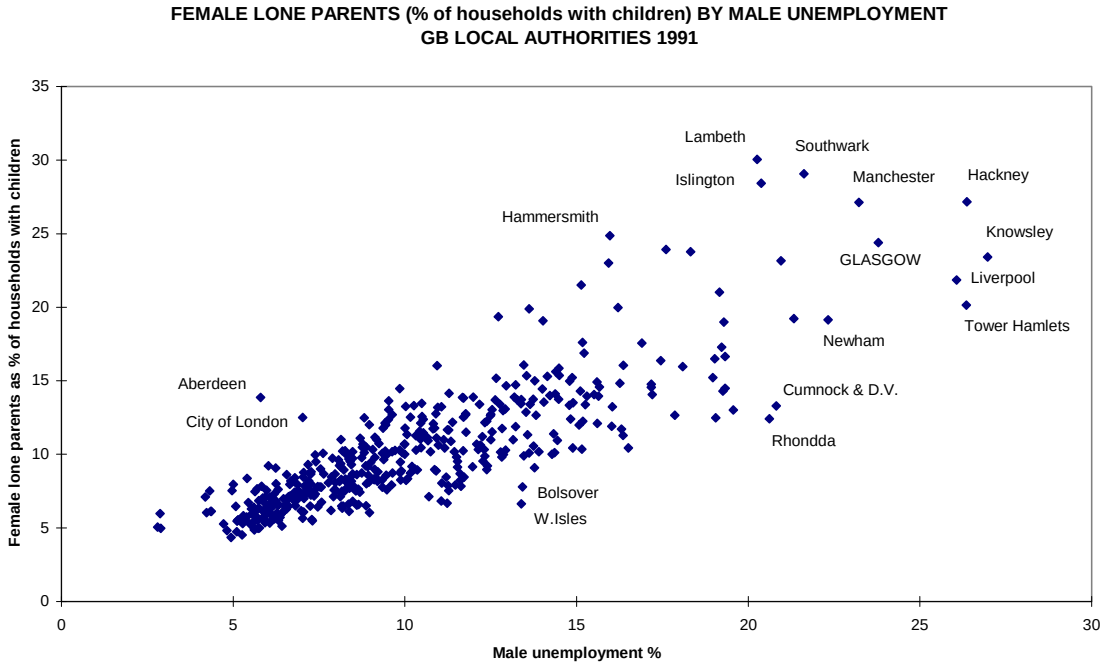
Source: Census 1991, Key Statistics for Local Authorities

Figure 2



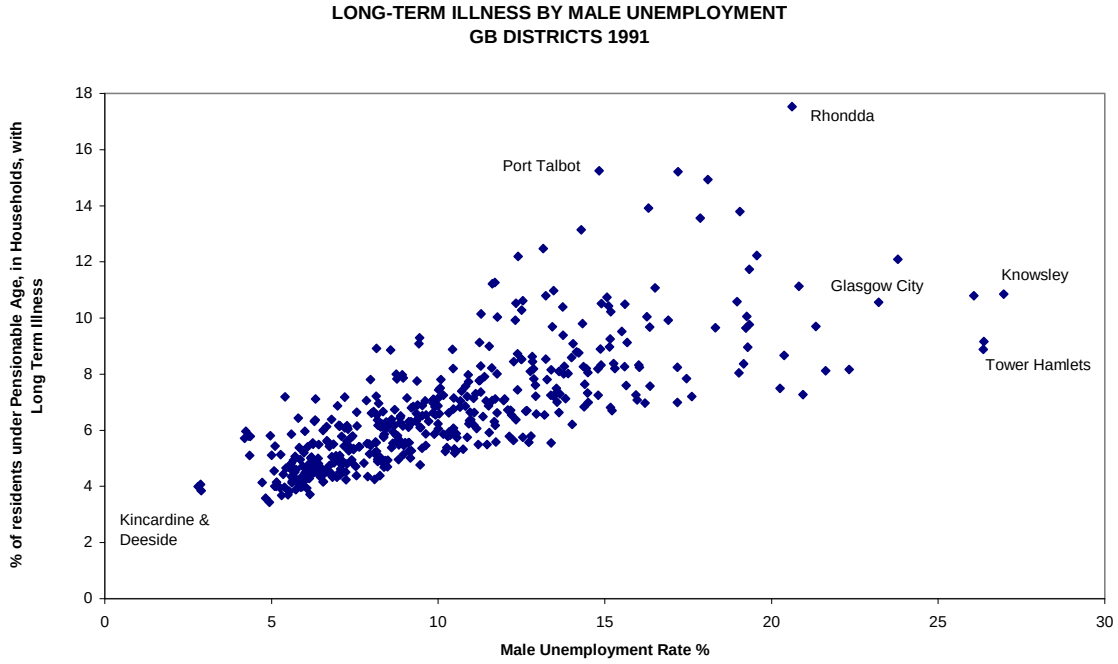
Source: Strathclyde Economic Trends, Strathclyde Regional Council Chief Executive's Department

Figure 3



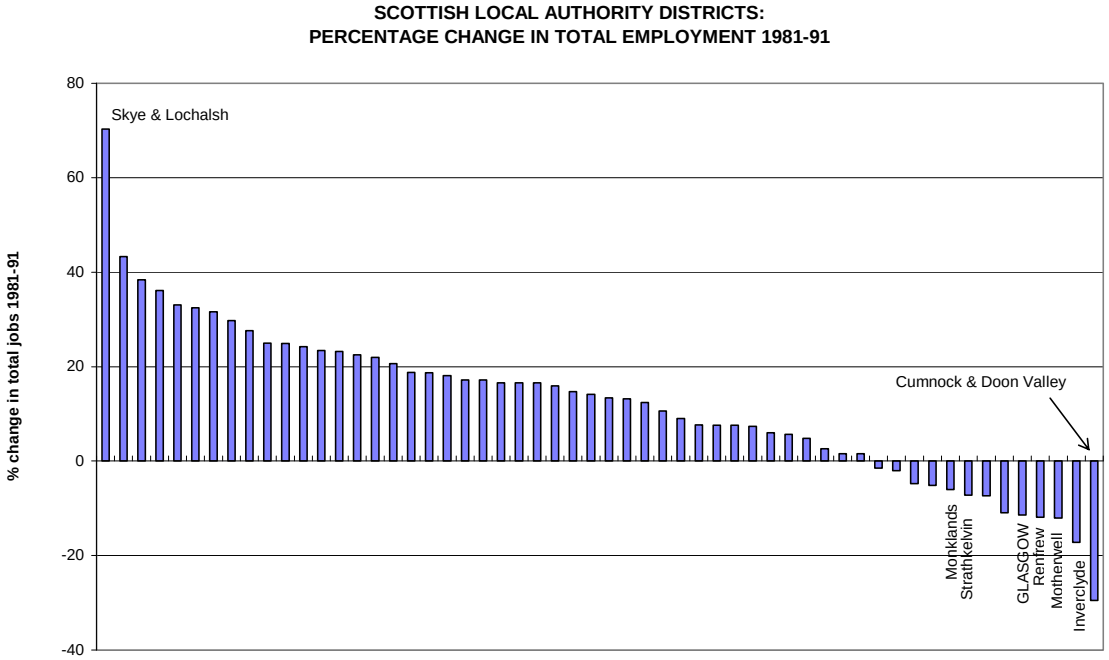
Source: Census 1991, Key Statistics for Local Authorities

Figure 4



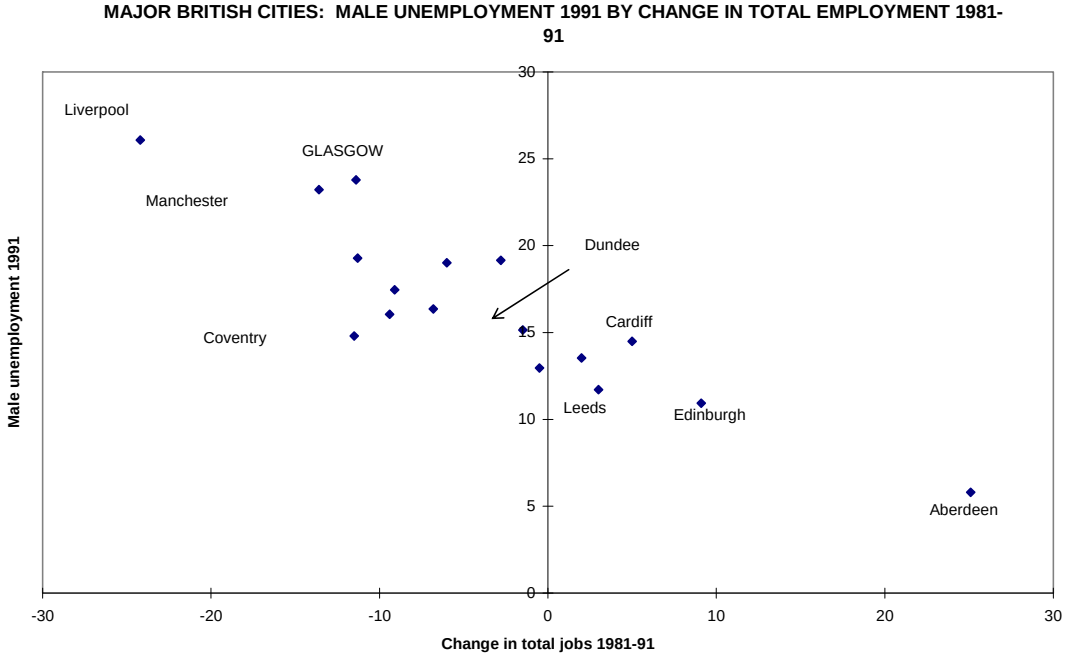
Source: Census 1991, Key Statistics for Local Authorities

Figure 5



Source: Census Workplace and Transport to Work Scotland, 1981 and 1991
Note: There was a slight change in the coverage of the Census employment figures by workplace between 1981 and 1991, but not enough to affect the comparison significantly.

Figure 6



Sources: Census Key Statistics for Local Authorities, Workplace and Transport to Work

TARGETED LOCAL JOBS - THE MISSING ELEMENT IN NEW LABOUR'S 'SOCIAL INCLUSION' POLICY

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Today's problem of geographically concentrated unemployment and poverty is mainly due to concentrated blue collar job losses since the 1970s, in manufacturing, mining and some other activities including transport and fishing. Turok & Edge (1999) and Beatty et al. (1997) have recently described the scale of manual job losses from the cities and coalfields respectively. The closure of coalmines is a familiar story, but the much larger job losses from manufacturing are less well understood. Most people are aware that deindustrialisation has occurred on a huge scale, especially since 1979, but not how geographically uneven it has been. As in the US north-east, British cities have been hit by massive "urban-rural manufacturing shift" due to property constraints (Fothergill et al. 1985), on top of the general deindustrialisation. This has caused their manufacturing job losses to be around double the national average of some 40%. By contrast, many rural and small town areas such as North Yorkshire have actually been gaining manufacturing jobs. Bearing in mind that manufacturing carries a lot of local service activity with it, at least half of the urban unemployment problem is due to geographical maldistribution rather than disappearance of manual jobs. In Scotland, for instance, there was almost no loss of manual jobs between 1981 and 1991 anywhere outside the Clydeside conurbation. More than half the loss was in Glasgow alone, which lost a third of its manual jobs. Manchester's experience was similar, and Liverpool's even worse.

Concealment of the problem by official statistics

Geographically reliable unemployment statistics, such as the Census figures for 1991, Sheffield Hallam University's "real unemployment" figures for January 1997, the monthly House of Commons Library claimant figures for constituencies, or the Labour Force Survey (LFS), confirm that the unemployment picture is dominated by the places which have disproportionately lost manual jobs - inner London and the northern industrial cities, and also the coalfields. The close spatial correspondence of unemployment with manual job losses has however been obscured by the main official unemployment statistics. "Travel-to-Work Areas" (TTWAs) reflect the lengthy commutes of higher paid white collar workers, not those of the manual workers who endure almost all the unemployment. They conceal the cities' high unemployment by averaging it out with that of their prosperous commuter hinterlands (Webster 1998). Since 1996, ONS has made matters worse by publishing "workforce unemployment rates", showing *resident* unemployed as a percentage of people with a *workplace* in the area plus the *resident* unemployed. In cities, in-commuters outnumber resident workers, so that this procedure often hugely understates their unemployment rates. For Birmingham Ladywood, for instance, ONS gave the rate as 3.7% in May 1999 compared to the true 17.7% (Briscoe 1999).

Most of the available statistics also conceal the overall scale of unemployment. The claimant count is far more of an underestimate than it was before the many changes since 1983. Also, during the 1980s and 1990s there has been a large movement of people from unemployment to sickness benefits and early retirement. Consequently even the relatively inclusive LFS greatly understates the true level of unemployment. A good measure of real unemployment is the TUC's "want work rate", which shows those wanting work as a proportion of all those working or wanting work. This was standing at 13.4% in 1997 compared to only about 5% in 1979. The "want work rate" also reveals that Britain's unemployment is not really lower than that of France and Germany, contrary to the impression given by the LFS. While much of rural and small town Britain is genuinely close to full employment, many industrial cities and former coalfields remain in an era of mass unemployment, ranging up to 25%-30% of their labour force.

Job losses cause unemployment locally

Job loss and unemployment are closely related geographically because most people still live very close to their work - around 90% within 6 miles. Consequently the spatial impact of concentrated job losses is itself very concentrated. It is the neighbourhoods where the manual workers live whose jobs have been lost which have experienced the resulting unemployment. In these neighbourhoods, this has led to poverty, outmigration and marital or relationship breakdown. These in turn have led to other consequences: poverty to ill health, low educational attainment, crime, drug abuse and condensation in housing; outmigration to empty housing, neighbourhood decline and demolitions; and marital or relationship breakdown to an increase in lone mothers and to homelessness for them and for their separated partners and their teenage and young adult offspring. As Peter Hall wrote recently: "huge tracts of our Midland and Northern cities are dying.....We are suddenly facing an American-style outcome: the nightmare spectre of Detroit is now stalking the streets of Manchester and Newcastle".

How policy has developed

Both in the USA and in Britain, the initial analytical responses to the emerging urban problem were usually correct. In the USA, the Kerner Commission (1968) for instance accepted the "spatial mismatch hypothesis" of John Kain, which attributed urban unemployment to the decentralisation of blue collar jobs to suburbs and exurban areas which low income inner city residents could not reach. A flowering of research on the spatial mismatch hypothesis during the 1990s in the USA, recently reviewed by Ihlanfeldt and Sjoquist (1998), has vindicated their view. In Britain, the last Labour government's Inner Cities white paper of 1977 accepted that the basic problem was spatial mismatch and set out a programme to attempt as far as possible to restore the local employment base of the cities. Unfortunately British policy since 1979 has largely rejected this approach. It is important to understand how this has come about.

The "characteristics approach" to urban unemployment

There was a very specific backlash against the 1977 white paper by a group of mainly

London-based economists (the "London group") including David Metcalf, Ray Richardson, Alan Evans and Paul Cheshire. Their argument was that commuting within urban areas is so convenient and extensive that loss of jobs from a particular area, such as the London docklands, would quickly lead to the displaced workers themselves displacing other workers further away, who would in turn displace yet others, so that within a couple of years unemployment would be equalised across the whole conurbation for each type of worker. Any remaining area concentrations of unemployment would be due solely to the characteristics of the area's residents, which in turn would be due to housing factors such as the presence of large council estates, and not to the labour market. According to this "characteristics approach", nothing should be done to replace the lost jobs at their original location or indeed anywhere in particular.

One key weakness of this line of argument has been revealed by the "labour market accounts" of Turok & Edge and Beatty et al. These have shown that the loss of jobs from the cities and coalfields was so great that little adjustment has been possible through commuting or migration. In other words mass unemployment (albeit often disguised in the form of economic inactivity) was unavoidable in these places. This is nowhere more true than in London, which contrary to popular impression has had a particularly bad employment performance.

Advocates of the "characteristics approach" also neglected to examine empirical evidence on commuting patterns. Within a conurbation, the share of jobs in each area held by the residents of a given area declines exponentially with distance, in other words very fast indeed (FIGURES 1 and 2). In Glasgow in 1991, for instance, residents would typically hold a fifth of the jobs in their own area but only 2% of those as little as three miles away. London is often believed to represent the ultimate in fluid commuting patterns, but in Camden in 1991, 84% of employed residents worked either in Camden itself or in one of the seven contiguous boroughs. These commuting patterns conform to the well-known "gravity model". This is partly due to the costs of travel - especially important for the low paid workers who are most likely to be unemployed - but also to spatial competition. Most people prefer jobs closer to home, and will compete harder for them. Therefore people seeking jobs outside their home area will face stiffer competition the further they away they try to get a job.

Much of the literature on urban regeneration written by economists and consultants in the 1980s reflected ignorance of the spatial nature of urban labour markets. There was a hugely influential argument that because the share of jobs in a particular area held by the area's residents is so much less than 100%, creating local jobs is too inefficient to be worth doing. This was said for instance of Tyneside and also in the official evaluation of Glasgow's East Area Renewal (GEAR) project. "Only around 30% of the (2,000) jobs 'created'.....in GEAR would be filled by GEAR residents.....even if these jobs had located elsewhere in Glasgow, some would have been filled by GEAR residents. Thus the net change in employment of GEAR residents.....will have been very small - of the order of a few hundred." Unfortunately the authors of these comments had never looked at the actual figures. In fact GEAR residents would on average have obtained only about 3% (60) of the jobs had they been randomly spread across Glasgow, ten times fewer than the 600 or so which they did get. Nevertheless, on the basis of this "employment leakage" argument, the

Scottish Office and Scottish Development Agency abandoned employment-focused urban renewal and in the "Urban Partnerships" launched in 1988 adopted the "characteristics approach" model advocated by the London group. Housing, environment, training and job placement were to be addressed but there was to be no significant local employment promotion or transport investment. English policy is now moving in the same direction.

Hostility to "property-led" approaches

The Thatcher governments generally exacerbated urban-rural manufacturing shift by weakening spatial planning and intervention. But, against the trend, Michael Heseltine and Peter Walker were responsible respectively for the Urban Development Corporations (UDCs) and English Partnerships. At their best - as in Sheffield's Lower Don Valley, Trafford Park or on Wearside – these did attempt to carry through the approach of the 1977 white paper, by reclaiming the derelict land left by industrial, mining, dock and rail closures and opening up decaying areas to development by modernising road systems and improving the environment. This "property-led approach" attracted widespread hostility, especially among left-leaning academics. This was mainly due to governance issues. UDCs were designed to take powers away from local government, and tended to be weak on community consultation. Another major objection was their tendency to focus on white collar, service development rather than industry. In fact there was a great deal of variation in this respect, but the biggest and most visible, London Docklands, was also the most extreme in ignoring local employment needs and other UDCs were tarred with its brush.

"Supply-side" economic theories

"Supply-side" economic theories have also played an important role. In particular Richard Layard, Alan Budd and others have built the longstanding idea that being unemployed makes people less "employable" into a full-scale theory - a macroeconomic counterpart of the "characteristics approach" - purporting to show that unemployment is actually *caused* by long-term unemployment rather than by loss of jobs. This has led directly to the "New Deal" which assumes that raising "employability" will lead to more employment. In fact, the evidence relied on by Layard and Budd is out of date (see for instance the June 1999 issue of *New Economy*, p.85). Areas with higher total unemployment uniformly have more people in all the New Deal target groups - long-term unemployed, youth unemployed, long-term sick, lone parents, and non-working partners of the unemployed - so that "employability" programmes cannot work unless more jobs are created in those areas (Turok & Webster 1998).

The Blair administration

As a result of these various influences - bad unemployment statistics, the "characteristics approach", ignorance of commuting patterns, hostility to "property-led approaches" and supply-side economic theories - the present government has allowed itself to be persuaded that the problem is one of concentrations of people of low "employability", rather than of acute local labour supply-demand imbalances. Consequently its policies do not seriously emphasise the promotion of relevant local

jobs.

The New Deal, as noted, is purely concerned with "employability". UDCs have been allowed to die, English Partnerships' funding has been cut, transport infrastructure investment is at a historic low, and a combination of fiscal, monetary and taxation (energy tax, fuel tax escalator) policies is being followed which specifically disadvantages manufacturing, the main source of manual jobs. Programmes which are targeted on unemployment blackspots do not actually aim to promote jobs. "Employment Zones", their title a misnomer, are yet another "employability" programme. The "New Deal for Communities" follows the model called for by critics of "property-led" approaches - "small scale", "fine-grained", "community-based" and "holistic" - and does not aim to produce more jobs. It is also thinly funded (building up only to £450m per year in 2001/02). Meanwhile the Working Families Tax Credit will benefit low unemployment areas disproportionately.

At first sight, it might appear that the new proposals for Assisted Areas constitute an exception to the supply-side emphasis. For the first time, they are being designated at ward level and the government's aim is said to have been "to combine areas of need with major areas of opportunity for employment creation, investment and regeneration". But wards have been identified using among other criteria the ONS "workforce" unemployment rates and the percentage of manufacturing employment, with more manufacturing being regarded, revealingly, as a sign of "labour market weakness". The result is that high unemployment city areas do not do particularly well - "workforce" rates understate their unemployment and they have already lost their manufacturing. In Glasgow, for instance, key industrial sites adjacent to super-high unemployment areas have been made ineligible for regional aid for the first time since the war, while prosperous neighbouring New Towns with low unemployment have retained eligibility. The outcome of the review of EU Objective 2 areas - those suffering from industrial decline - appears likely to be similar. The "reference date" to qualify as an industrial area is 1985; this was after the great Thatcher-Howe deindustrialisation, so that cities which had already lost most of their manufacturing by 1985 and are still suffering the consequences are treated as if they had never been industrial centres at all.

The government's only genuine demand-side policy is the programme for the coalfields. With a chair from English Partnerships and Steve Fothergill, a leading analyst of the local job loss-local unemployment connection, as a member, the Coalfields Taskforce has a different intellectual parentage from the rest. It recommended a strongly property and transport oriented approach. Unfortunately, progress on implementation appears to be rather slow.

The case of Castlemilk

The issue of labour demand versus labour supply approaches can be well illustrated by the example of Castlemilk in Glasgow, an "Urban Partnership" embodying the rejection of employment-focused urban renewal in line with the "characteristics approach". In its emphasis on community participation, the Partnership looks very like the New Deal for Communities, and indeed Scottish Labour ministers have claimed that it has put Scotland "ahead of the game" in urban regeneration. The Social Exclusion Unit, in its report on neighbourhood renewal (1998), recently

endorsed it as an example of “what works”.

But while housing and environment have improved, the Partnership has not “worked” in terms of employment and poverty. After 10 years, Castlemilk has the highest proportion of households on Income Support in Glasgow, at 60%, well over twice the Scottish rate of 27%. In 1995 Castlemilk had the highest percentage of babies with low birthweight in Glasgow - double the rate for Albania. The proportions of children receiving free school meals and clothing grants in Castlemilk in 1997/98 were the second highest in Glasgow. The Scottish area deprivation index showed Castlemilk's two postcode sectors improving between 1991 and 1998 only from 4th worst and 6th worst out of 990 to 9th worst and 11th worst. And a Scottish Office study in 1995 found that 59% of those leaving training programmes never subsequently found a job at all.

The basic problem is that the Partnership never attempted to tackle the area's employment base. FIGURES 1 and 2 show that Castlemilk’s residents hold one quarter of jobs located in Castlemilk but that this share falls rapidly with distance. While *some* jobs are held in areas ranging across much of the conurbation, only in areas on the south side of Glasgow is the share at all significant. The Scottish Office has hoped that Castlemilk people would get jobs in East Kilbride New Town, but at 6km away and with almost no public transport links it is too inaccessible and there is too much competition for the jobs from other areas. It is around 60 times more efficient to promote jobs in Castlemilk itself, and failing this, 3 to 10 times more efficient elsewhere on the south side. The topography and lack of sites rule out most of Castlemilk and immediately neighbouring areas. But there is a huge opportunity in the swathe of land from Govan through Gorbals, Dalmarnock and Rutherglen to Cambuslang where Castlemilk people used to work in large numbers and where they still hold significant shares (1%-2%) of the jobs which remain. This area accounts for a large part of the 10% of Glasgow’s land area which is vacant or derelict. This is where the money needs to go, on derelict land reclamation, infrastructure and road access: two already designed roads would unlock huge development potential. But these are the budgets which are being starved of cash in favour of “supply-side” employment initiatives, and little is being done.

This is where the government is going wrong. Yes, work is the best form of welfare. But there has to *be* work. It has to be of the right kind, and local. If the government is to attain its poverty targets, this is the issue it must address.

Figure 1

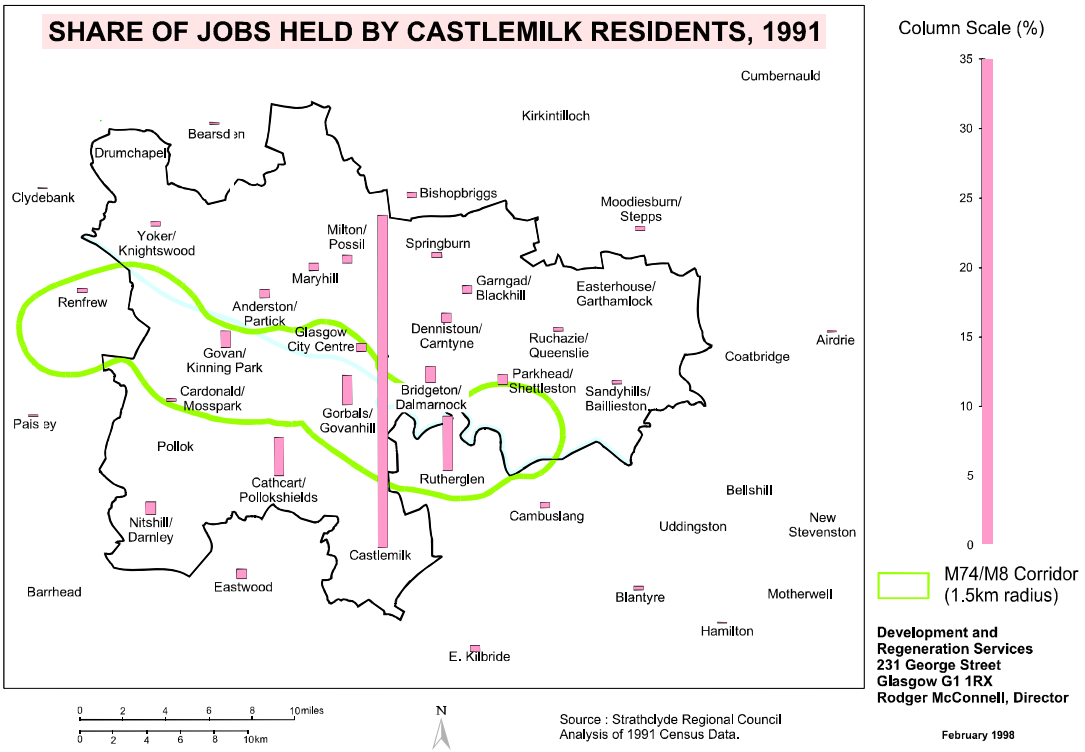
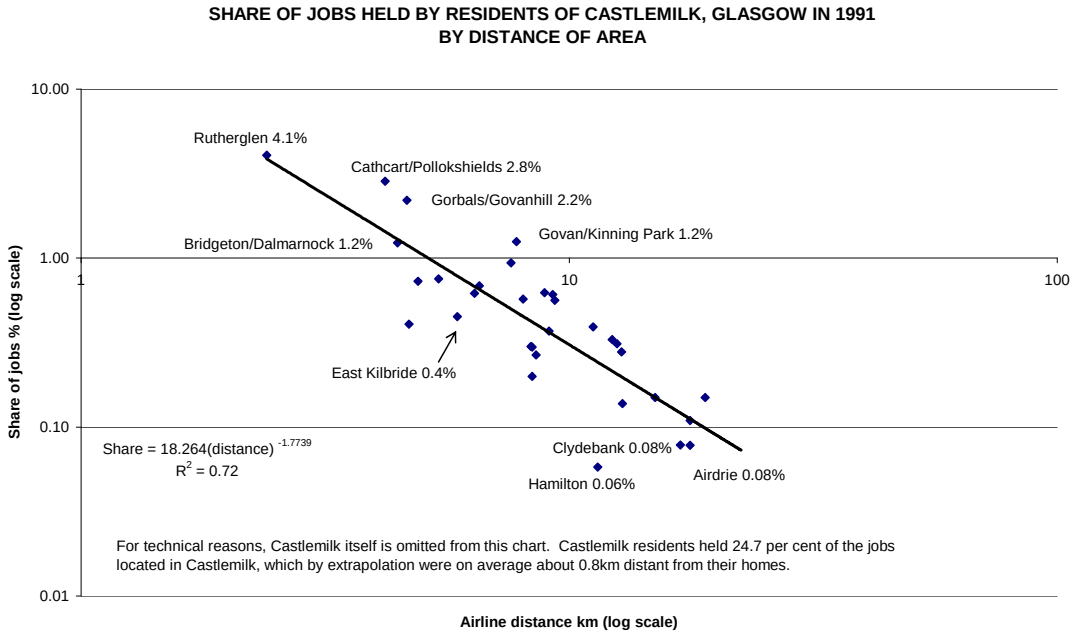


Figure 2



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SCOTTISH SOCIAL INCLUSION POLICY: A CRITICAL ASSESSMENT

David Webster

The argument of this paper is that, to date, policies on 'social inclusion' in Scotland are placing a wholly insufficient emphasis on promoting jobs that are accessible to the unemployed in terms of both skills and location. This is happening for two reasons: first, the dominance of 'supply-side' economic theories among the government's advisers, and, second, the inheritance of Scottish policies on economic development and area regeneration since the 1960s. The paper argues that to be effective, Scottish policy will need to shift radically in the direction of heavier investment in derelict land reclamation and urban transport infrastructure, along the lines followed by the English, Welsh and Northern Irish urban development corporations. This would in itself be a more environmentally sustainable development strategy than that currently being pursued.

The discussion focuses particularly on Glasgow, which accounts for half of measured 'social exclusion' in Scotland, but the analysis applies to most disadvantaged areas and reference is made to many of them.

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THE SCOTTISH 'SOCIAL INCLUSION' PROGRAMME

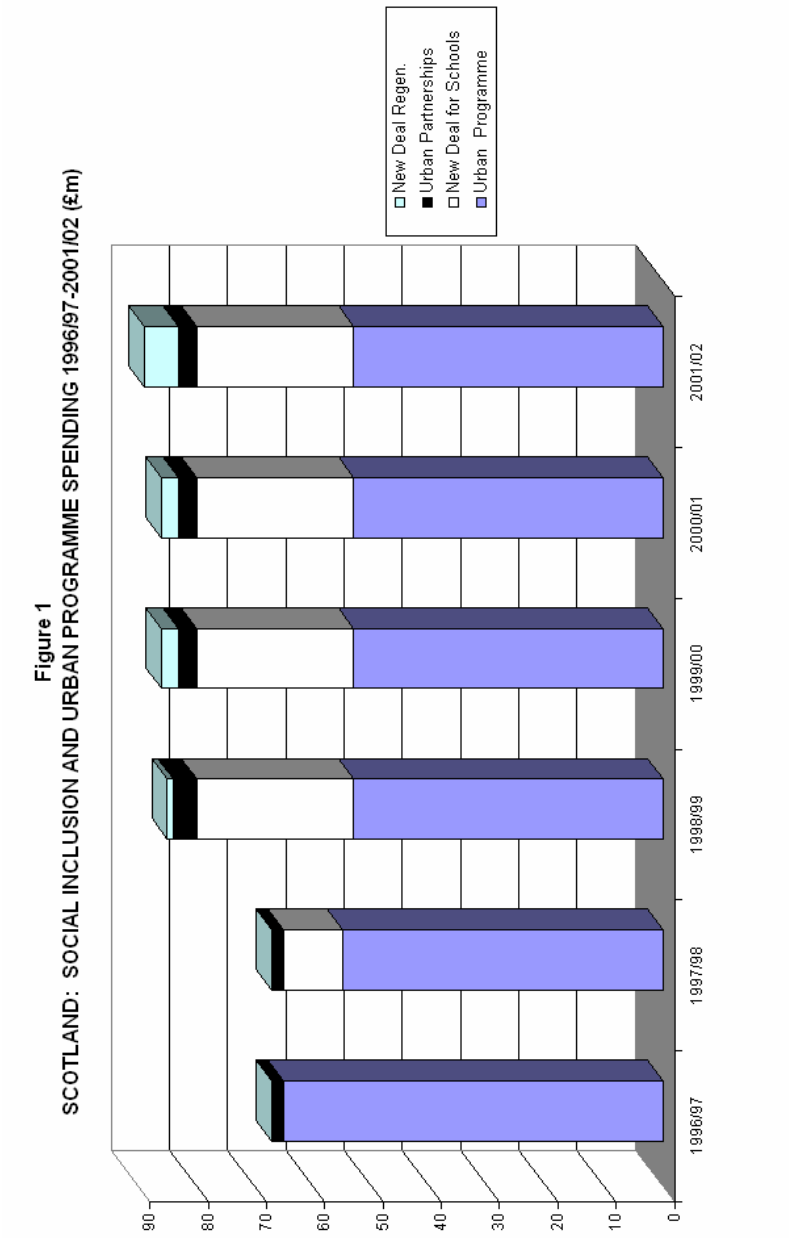
In the Scottish Office Social Inclusion strategy paper (1999b), the term 'social exclusion' for the most part means the same as the more traditional term 'social deprivation', comprising unemployment, low income, poor housing, high crime environments, poor health and family breakdown. Homelessness and neighbourhood decline have already been the subject of reports by the Social Exclusion Unit and should be added to this list.

The Scottish Office paper does not discuss the causes of the problems. However the intellectual basis of the Blair government's policies is well known. Neoclassical supply-side economists, notably Richard Layard (now an adviser to the Department for Education and Employment), have won ministers to their view that high unemployment is due to a combination of two factors: the supposed deleterious effects on the labour force in terms of skills and motivation of the experience of high unemployment in the 1970s and 1980s resulting from the 'shocks' of the oil price hike and the overvalued pound; and the supposed encouragement of 'idleness' by the social security system. The Labour front bench has been persuaded by American conservative writers such as Charles Murray that the rise in lone parenthood is due to the supposed perverse incentives created by the social security system. The other problems are seen as mainly resulting from these, with for instance low incomes impacting directly on health (as well outlined in the 1998 Scottish green paper on health) and a combination of unemployment and family breakdown causing multiple problems for young men.

Given this perspective, the main thrust of 'social inclusion' policy lies in Westminster programmes - the New Deals and 'welfare reform'. These aim to raise 'employability' and persuade people into jobs, and to remove the supposed incentives to lone parenthood. The New Deals involve substantial expenditure - roughly £70m per year in Scotland - and 'welfare reform', while intended to save money, is shifting very large sums around. The Working Families Tax Credit (WFTC), for instance, costs £182m gross per year in Scotland. By contrast, policies which will be under the control of the Scottish Parliament are to date comparatively minor and inexpensive. They involve such things as 'new community schools' (£27m per year); low budget area- and client-group based 'Social Inclusion Partnerships' (SIPs), of which 26 new SIPs share £16m per year (£0.6m per SIP); the small New Futures Fund (£3.3m per year), which is essentially an extension of New Deal programmes to the most disadvantaged younger people; exploration of ideas for local management of services ('Pathfinders' in Easterhouse and Wester Hailes); and local anti-poverty action. This programme has been financed to the extent of

some £12m per year by redirecting money from similar Urban Programme projects, leaving some £25m per year of new money (Scottish

Figure 1
SCOTLAND: SOCIAL INCLUSION AND URBAN PROGRAMME SPENDING 1996/97-2001/02 (£m)



Office 1999a) (Figure 1). This picture reflects the general point made by Ashcroft (1999) that the Comprehensive Spending Review has not produced any substantial re-allocation of resources between Scottish programmes.

At the same time, large cuts have been made in other budgets which are impacting seriously on the areas of greatest deprivation. Glasgow City Council alone had to cut £180m per year in revenue spending and raise Council Tax 58% in the three years following reorganisation in 1996 (Carmichael and Midwinter 1999). Consequent service cuts have led among other things to an increase in children in care and closure of Glasgow's Citizens Advice Bureau (Glasgow Evening Times, 8 December 1998, 18 June 1999). Across Scotland councils are estimated to have cut their private housing renewal programmes by almost two-thirds or £73m per year between 1995/96 and 1998/99 (Chartered Institute of Housing 1998).

Scottish Enterprise total gross expenditure – a key element in regeneration – has fallen yearly from £476.9m in 1996/97 to £430.2 in 1999/00 and although rising thereafter will not have regained the 1996/97 level even by 2002. Scottish Enterprise total land development has been reduced from a target of 570ha, with an outturn of 390ha, in 1998/99 to a target of 350ha. in 1999/00, while its renewal of land 'to support the regeneration of areas of high unemployment and deprivation' has bumped along with targets of 70ha. in 1996/97 (outturn 40ha.), 60ha. in 1997/98 (outturn 45ha.), 88ha. in 1998/99 and 90ha. in 1999/00. A Scottish Office/PIEDA study **Towards a Strategy for Vacant Land** (1997, para.7.31) pointed out that in Scotland, unlike Wales, there are no targets for land treatment. It recommended targets to deal with all dereliction considered to have serious adverse environmental effects by 2010, and to ensure that no local authority in Scotland has more than 0.5% of vacant land by 2010. However, no such targets have been set, while the only road scheme with serious benefits in terms of derelict land development - the M74 completion from Cambuslang to Kingston - received no funding in the Scottish roads programme announced in November 1999.

Proposals for large-scale investment in council housing renewal through stock transfer with accompanying debt write-off are seen by Scottish ministers as a key element of social inclusion policy. In Glasgow's case, the proposal is for some £1bn of spending on some 75,000 remaining houses, commencing in about 2001. But in spite of continuing verbal commitment to 'comprehensive regeneration', this is not being accompanied by similar proposals in relation to other elements of regeneration. The Secretary of State's letter to the chairman of the Glasgow Regeneration Alliance (12 December 1997) stated

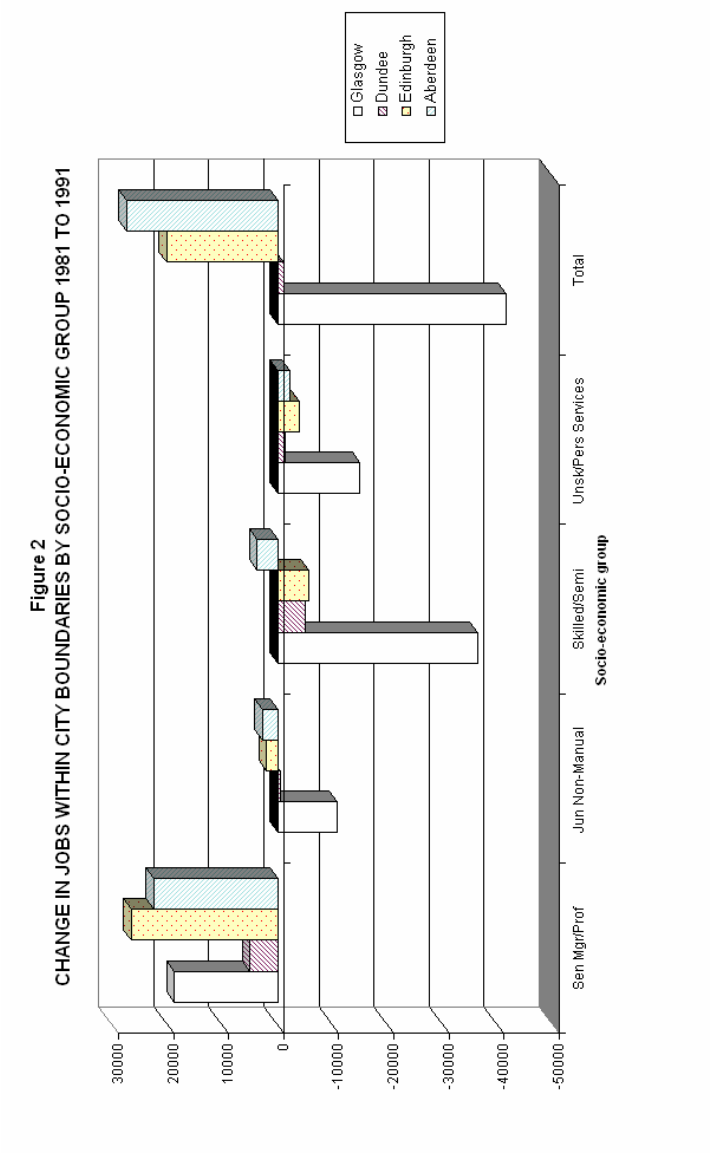
that 'there is no prospect of any significant increase in the resources available to Glasgow' and requested that a new strategy be drawn up 'on the assumption that no additional public resources can be provided'. Given that the strategy was for implementation (by the renamed Glasgow Alliance) from April 1999, when the government started to increase public expenditure after the cuts of 1997-99, this actually implies that regeneration in Glasgow is being planned on the basis of a declining share of public resources.

THE ROLE OF JOB LOSS

The analysis on which the government's policies are based has overlooked the evidence that it is the loss of blue collar jobs from the cities and coalfields which is the overwhelmingly important cause of 'social exclusion'. In the USA in the later 1980s, John Kasarda and William Julius Wilson showed the relationship between the disproportionate loss of jobs from the cities and the growth of the so-called 'urban underclass'. In Britain, a similar analysis has now been provided by Turok and Edge (1999) for the cities and Beatty et al (1997b) for the coalfields. There has been a net loss of 500,000 jobs in the 20 largest cities in 1981-96 and 160,000 male jobs in the English and Welsh coalfields 1981-91, at a time when employment has grown elsewhere. These authors' 'labour market accounts' show that little adjustment to this loss has been possible through migration and commuting. Most of the effect has taken the form of a rise in economic inactivity, particularly among men. The problems have been exacerbated both in Britain and the USA by the unbalanced nature of job change. Losses of male manual jobs have been much the largest, while white collar jobs and employment for women have actually increased (Figure 2). Comparison of the changes in the employment base of, for instance, Glasgow and Philadelphia over the last two decades shows a virtually identical picture in these terms; it is not surprising that very similar problems have emerged.

The story behind the decline of coal is well known. The loss of manufacturing employment from the cities is much less widely understood. Two processes have been at work. First, the general deindustrialisation which was at its peak in the Thatcher-Howe recession of 1979-83 but has continued in the Lawson recession of 1990-93 and now in the manufacturing recession of the past year. This has affected the industrial cities disproportionately because they grew up as manufacturing centres and had so many manufacturing jobs to lose (although the current recession has impacted less on cities because they have already lost so much of their manufacturing). But there has been a second, equally important process, known as 'urban-rural manufacturing shift', well documented in both Britain and the USA, in which manufacturing has

steadily moved out of cities to smaller towns and rural areas as a result of property constraints (Fothergill et al 1985).



The Scottish Office analyses of social deprivation in 1991 (Duguid 1995) and 1998 (Gibb et al 1999) show a clear spatial pattern reflecting these processes. Much the largest concentration of deprivation (half the total) is in Glasgow, as a direct result of the city's huge loss of manual jobs. This loss in 1981-91 was more than that in the rest of Scotland put together, although Glasgow had only 18.5% of Scottish employment in 1981. MacInnes (1995) has outlined the huge scale of Glasgow's deindustrialisation. Other major manufacturing centres such as Dundee and the inner Clyde valley from Motherwell, Coatbridge and Airdrie through to Greenock also show up strongly as do former mining areas such as Cumnock and Doon Valley - which had the misfortune to lose not only all its remaining mining jobs between 1981 and 1991 but 85% of its manufacturing as well. It might seem that Edinburgh contradicts this simple picture. Here employment has grown well yet there are large concentrations of deprivation. The basic explanation is straightforward: the nature of job change has been similar to that in other cities, so that even as white collar jobs have multiplied, manual jobs have declined (Figure 2). It is these latter jobs which provided the employment base of the deprived areas. Meanwhile the New Towns, beneficiaries of large infrastructure investments and heavy promotion of inward investment, were virtually free of measured social deprivation in 1991. And while frequent references are made to the presence of 'social exclusion' in rural areas, the reality is that most, with the exception of the Western Isles, have had prospering economies and populations growing as a result of in-migration by relatively prosperous people (Findlay et al 1999).

Official claimant unemployment statistics give a thoroughly misleading picture of the geographical pattern of unemployment and this has led to widespread confusion about the links between job loss and unemployment and between unemployment and other aspects of deprivation (Webster 1998a). Beatty et al (1997a) have produced estimates of 'real' unemployment taking into account the concealment of much unemployment in the form of economic inactivity, especially long-term sickness. They reveal a pattern corresponding closely to that of job loss and social deprivation. At January 1997, Glasgow had estimated 'real' unemployment of 30.6%, Cumnock and Doon Valley 28.7%, Monklands 27.8%, Motherwell 26.8% and Clydebank 26.7%.

The geographical distribution of lone parenthood closely mirrors that of unemployment. Glasgow's **Housing Plan 1996** pointed out that across the Scottish local authorities, lone parenthood had risen between 1981 and 1991 closely in line with the level of unemployment. Since then, further research on the Census data by several authors has confirmed that this relationship applies right across Britain (Figure 3). A weight of time series, cross section,

longitudinal and ethnographic evidence has been assembled in support of the view that in both Britain and the USA the rise in lone parenthood has been mainly due to localised mass unemployment (Webster 1997b, 1999). Carruth and Oswald (1991) have also estimated on the basis of English evidence that a doubling of the unemployment rate in an area raises the number of children in local authority care by about two thirds.

Unemployment and family breakdown in their turn lead to homelessness. Since the 1960s, explanations of homelessness in the British literature have mainly stressed housing shortage or personal inadequacy. It is, however, clear from the Glasgow evidence that unemployment plays a fundamental role (Glasgow's **Housing Plans** 1993, 1996, 1998; Fitzpatrick 1999). In more prosperous parts of Scotland with growing populations, the homeless are commonly families hit by shortage of social housing. But in Glasgow and similar declining areas most homeless people are single, with lone parents much more numerous than couple families, and there is no shortage of mainstream social housing. The single people are usually older men who have separated from their spouses – the husbands of the lone parents - or young people hit by both family breakdown and their own unemployment. This type of causation is borne out by systematic statistical study of homelessness in the USA (Burt 1991).

Low demand for housing with associated neighbourhood abandonment has been a dominating problem in Glasgow, Dundee and a few other Scottish areas for a decade or so. It has recently been acknowledged as a problem in most of the northern English cities and coalfields. Research has shown that a fundamental cause is employment loss and the resulting unemployment, which has led to outmigration (Webster 1998b). The significance for social exclusion is that the neighbourhood decline resulting from population exodus leads to a raft of unpleasant consequences for the remaining residents in terms of empty housing, rundown of facilities and loss of security; those residents themselves are likely to be those least able to leave - the elderly and those who find it difficult to compete in the labour market - leading to a further concentration of deprivation.

THE CAUSAL STRUCTURE OF THE SOCIAL EXCLUSION PROCESS

These various processes form a complete causal structure linking all the important aspects of social exclusion (Figure 4). At the apex is job loss, particularly manual. This leads to unemployment. Unemployment in its turn leads to the trio of poverty, outmigration and marital/relationship breakdown.

These in turn lead to other consequences: poverty to ill health, low

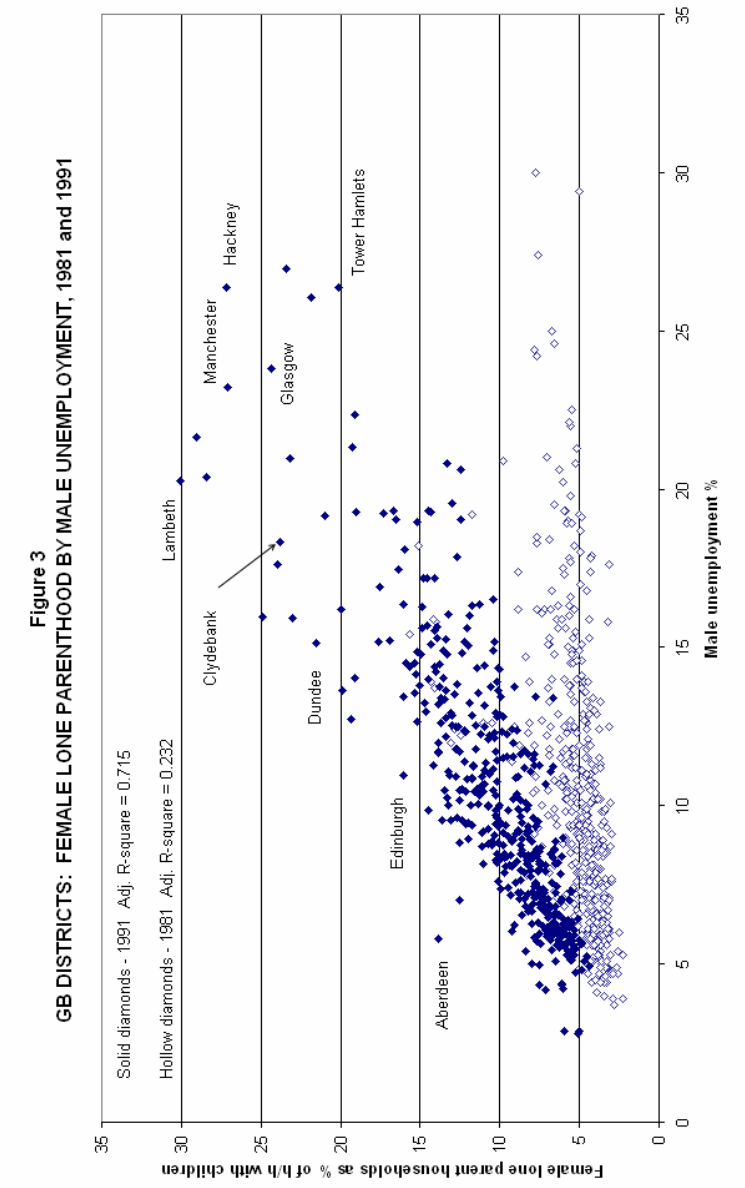
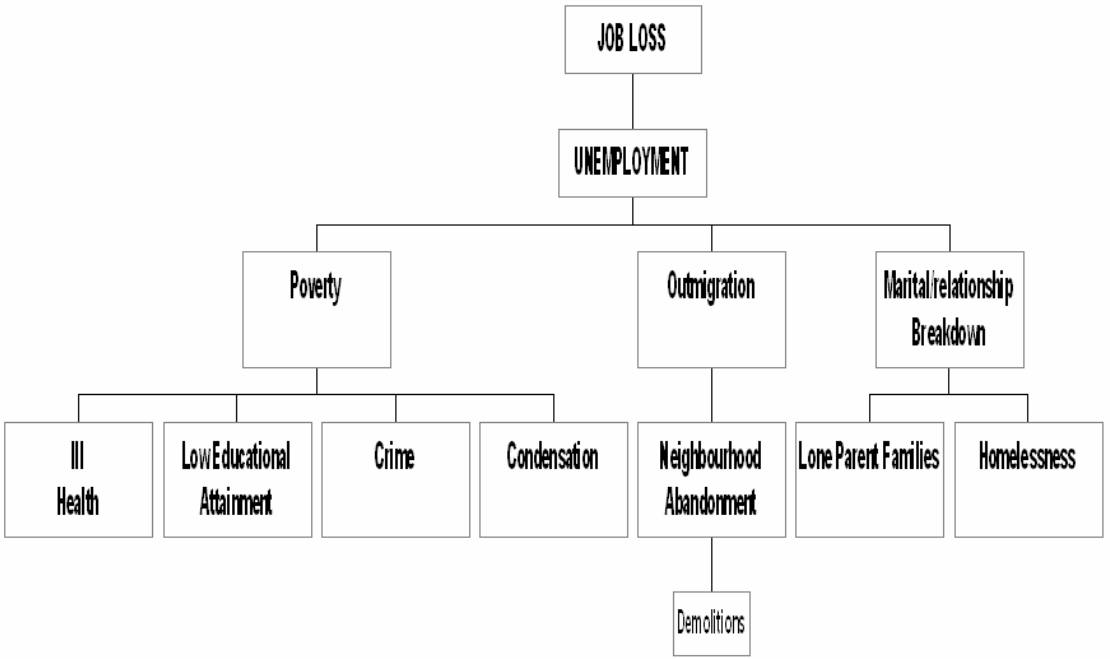


Figure 4
SOCIAL EXCLUSION: THE CAUSAL STRUCTURE



educational attainment, drug abuse, crime and condensation in housing; outmigration to empty housing, neighbourhood decline and demolition; and marital or relationship breakdown to lone parent families and to homelessness among these families, the separated male partners, and their teenage and young adult offspring.

This picture of the causal structure of social exclusion is not completely different from that held by the government. In particular the links between unemployment and poverty, and between poverty and ill health, and poverty and condensation, are accepted by the government, and there is also a readiness to connect poverty with crime. However, the government does not think that there is any important link between job loss and unemployment (which it sees as a 'supply-side' issue), or between job loss, marital breakdown and the growth of lone parent families, or between unemployment and homelessness. It accepts that unemployment leads to outmigration and indeed this is seen as the main way in which workers should adapt to job loss (HM Treasury 1997). However it rarely makes the connection between outmigration, empty housing and demolitions. Finally, it puts little weight on the link between poverty and low educational attainment. Influenced by the 'school effectiveness' movement, it argues that children can perform much better even while they and their families remain poor and local employment prospects weak. This links back to the 'supply-side' beliefs about unemployment. If as a result of 'education, education, education' young people have more skills, then it is thought that more jobs will materialise for them to fill.

The fact that the government's account of the causal linkages underlying social exclusion differs from that outlined here is largely because its thinking does not reflect recent evidence. Layard's views are based on data running only to 1986 and were published in their final form in 1991; Frank Field published his influential book **Losing Out**, which contains most of the government's significant ideas on social policy, in 1989; the Social Justice Commission report was finalised in the summer of 1994; and the Labour front bench adopted the ideas of 'welfare to work' in 1995. This timetable has meant that little or no later research has yet been seriously considered, in particular that based on the 1991 Census results which only became available in 1993 and 1994. The assumption has been made that a strategy for government could be drawn up well before taking office, and that thereafter the only issues are implementation and marketing of the 'message'.

THE OUTLOOK FOR SOCIAL EXCLUSION UNDER CURRENT POLICIES

The trends in employment and migration in most of the deprived areas of Scotland remain unfavourable. In Glasgow, for instance, a fall of 37,800 (44%) in manufacturing employment in 1981-91 has been followed by a further fall (on the new boundary) of 11,500 (27%) between 1991 and 1997. Service employment grew in 1991-97 by 22,800 (9%), but, as the **Glasgow Economic Monitor** recently pointed out, these jobs are often female and part-time. Overall, female part-time jobs rose by 12,800 (21%) but male full-time jobs - the basis of the traditional family structure - fell by 14,500 (9%) over these six years. Total employment growth was only 4,277 (1.3%), well below the Great Britain figure of 5.9%. All of these figures refer to jobs located within Glasgow rather than to the employment of Glasgow residents. Sample evidence from the Labour Force Survey suggests that employment of Glasgow residents actually fell between 1994 and 1999 (by an estimated 4%) against a Great Britain increase of 7.1%. While the number of Glasgow resident unemployed also fell, the total number of non-employed residents - a more reliable measure in view of the processes discussed by Beatty et al - actually rose by an estimated 2% against a Great Britain fall of 5.4%. The LFS results for Summer 1999 show Glasgow with the lowest working-age economic activity rate in the whole of Great Britain, and the joint highest unemployment rate. The rest of Scotland has also done relatively poorly (Figure 5; Webster (forthcoming)).

Some other areas with severe deprivation have also performed badly in employment terms. While Inverclyde, fortunate in having Enterprise Zone status, almost doubled its manufacturing employment (by 4,800 or 95%) in 1991-97 and had a modest overall increase in jobs of 4.2%, E.Ayrshire lost a quarter of its manufacturing jobs and S.Ayrshire, N.Ayrshire and W.Dunbartonshire had total job losses respectively of 12.5%, 8.8% and 16.3%.

The difficulty of implementing 'supply-side' labour market policies in these labour demand conditions is easily seen from Figure 2 (above). In 1981-91, Glasgow and Dundee both had losses of junior non-manual jobs as well as of manual jobs, so that upskilling would have had to shift substantial numbers of blue collar workers into the managerial and professional category – a tall order.

Migration patterns continue to reflect the loss of jobs from the urban areas of the west of Scotland. In 1989-98, most Health Board areas gained population, with Lothian gaining 26,600 and Grampian 17,600. But Greater Glasgow,

Argyll and Clyde, Lanarkshire, Ayr and Arran and Western Isles all had losses, of 21,500, 13,100, 1,400, 1,000 and 2,060 respectively. Population projections for Scottish council areas show a similar pattern, with a striking 18% fall for Inverclyde in 1996-2013, 10% for Glasgow and E.Ayrshire, 9% for Dundee and W.Dunbartonshire, and 8% for Western Isles.

Against this unfavourable background the New Deals cannot be expected to increase employment levels significantly, however many people may be placed into jobs, while neighbourhood decline can be expected to continue. Moreover, a powerful critique of the welfare to work approach has been emerging. In the USA, which is some five years ahead of the UK on the 'welfare to work' road, Pugh (1998) and others have established that there is a deficit of 'entry-level' jobs in the cities and that the existence of 'spatial mismatch' prevents their residents from accessing jobs elsewhere. The Nobel prize-winning economist Robert Solow (1998) has pointed out that US welfare to work programmes, while placing a lot of people in jobs, have only tiny effects on their subsequent employment probabilities – the true measure of success. He derides the 'Panglossian error' that all the problems lie on the supply side of the labour market: the belief that 'kennel dogs need merely act like bird dogs, and birds will come'.

In Great Britain, Turok and Webster (1998) have shown that all the New Deal target groups - youth unemployed, long-term unemployed, long-term sick, lone parents - are concentrated in the same areas of high unemployment, indicating that they cannot all be got into work unless employment is increased in these areas. Webster's analysis (1997a) showing that long-term unemployment is not a separate problem from that of unemployment itself, contrary to the assumptions underlying the New Deal, has been corroborated by Machin and Manning (1998). The OECD (1999) has joined the critics: '[young people's] employment and unemployment rates are highly responsive to the overall state of the labour market ... few remedial or employment-insertion programmes targeted at disadvantaged young people appear to have resulted in significant gains in employment or earnings after they have participated in the programmes'.

The government's approach to 'welfare reform' poses risks for deprived areas. The concept of 'work for those who can, security for those who cannot' could in principle be satisfactory if the supply-side assumptions about worklessness were correct. But the danger is that because of the lack of jobs, the deprived areas will get reductions in social security incomes without the desired increases in employment incomes. The Working Families Tax Credit will disproportionately benefit prosperous areas with high employment rates, not

Figure 5
CHANGE IN UNEMPLOYED AND ECONOMICALLY INACTIVE BY CHANGE IN EMPLOYED Winter 1993/94 - Winter 1998/99

disadvantaged areas with few people in work. Benefit 'sanctions', currently being greatly extended in scope and severity, may also prove troublesome. Fairley (1998) noted that these have been widely criticised in Scotland, by the Scottish Affairs Select Committee of the House of Commons among others. It has already emerged that a quarter of all the young people assigned to the Environmental Taskforce are being 'sanctioned' and also that men - whose employment problems are already worse - are over twice as likely to be 'sanctioned' as women (Bivand 1999).

In spite of its dominant position in the Scottish social inclusion programme, there has been little discussion about the concept of the 'New Community School' and the government has not sought to consult about it. The American concept of the 'Full Service School' from which it is borrowed is openly said to be at least as much about making the most of declining resources as about improving services. While it is generally popular, there appears to be little or no evidence that it actually works. For instance, a recent evaluation (April 1998) in Florida (which is specifically mentioned in the Scottish Office's 1998 'prospectus') did not find any difference in performance between 'full service' and ordinary schools. There is a risk of counterproductive stigmatisation. The alternative concept of the 'magnet school' is based on the idea that extra spending on schools in deprived areas to develop particular specialisms such as music or maths will attract parents of able children, thus improving the balance of ability and parental support in the school's intake (and reducing 'social exclusion'). The 'New Community School', with its emphasis on remedial social work and health intervention, could drive away these parents.

AREA SOCIAL INCLUSION PARTNERSHIPS (SIPS)

SIPs do not in practice embody a new approach to deprivation but continue the ideas of the largely palliative Urban Programme, dating from the 1960s, and of the Urban Partnerships introduced by the Conservative government's **New Life for Urban Scotland** in 1988. Scottish Office descriptions of SIPs have been in very general terms, referring to 'a more flexible, modern tool' whose key characteristics are 'to focus on the most needy members of society, to co-ordinate and fill gaps between existing programmes to promote social inclusion and seek to prevent social exclusion happening in the first place'. Their funding is so small that they cannot, as such, embrace major physical projects.

Continuity rather than change in policy is indicated by the endorsement of the Castlemilk Partnership by the Social Exclusion Unit (SEU) (1998) as being an example of 'what works' and by the comments of the former minister Calum MacDonald (15 September 1998) that the existing Scottish approach is 'seen as a model for the rest of the UK' and that Scottish ministers are determined that Scotland '*stays* ahead of the game' (emphasis added) in community regeneration.

SEU cites the drop in Castlemilk's claimant unemployment since 1989 from 22% to 10.6%, close to the Glasgow average. This is misleading. Claimant unemployment figures do not take into account the large movement on to Incapacity Benefit since 1989 described in Beatty et al (1997a). On the basis of their estimate that at January 1997 real unemployment was 30.6% in Glasgow when claimant unemployment was 11.8%, the Castlemilk figure of 10.6% claimant unemployment quoted by SEU would equate to a real rate of 27.5%. This is much closer to what is indicated by DSS figures, which show that after 10 years of the Partnership, Castlemilk in August 1998 still had the highest proportion of households on Income Support in Glasgow, at 60%, well over twice the Scottish rate of 27% (Glasgow City Council 1999a). The Scottish Executive evaluation (Cambridge Policy Consultants 1999) shows that Castlemilk's already low employment rate actually fell further during the Partnership, from 38% to 36% of the working age population, half the national average of 74%.

Bearing out this picture further, in 1995 Castlemilk had the highest percentage of babies with low birthweight in Glasgow, double the Scottish average (14% compared to 7%) and therefore, according to data in **The Herald** (1 June 1999), double the rate for Albania. The proportions of children receiving free school meals and clothing grants in Castlemilk in 1997/98 were the second highest in Glasgow after Drumchapel (69.8% and 69.9%, and 86.8% and 89.7% respectively). The Glasgow averages for these indicators were 41.0% and 58.3% respectively while in Scotland the percentage taking free school meals at January 1996 was only 20.0% (Glasgow City Council 1998a, 1998b). These measures are very reliable indicators of poverty: for instance, birthweight reflects the mother's diet and health in pregnancy.

Gibb et al (1998) showed that in terms of deprivation Castlemilk's two postcode sectors (G45 9 and G45 0) improved between 1991 and 1998 only from 4th worst and 6th worst out of 990 in Scotland to 9th worst and 11th worst. These and the figures for other areas led **The Scotsman** (16 August 1995 and 13 October 1998) to conclude that Scotland's urban policies have failed and that the reasons must be established before carrying on. In June

1999 the homeless magazine **The Big Issue**, drawing on these and further health data, argued in a reworking of the Partnership's slogan that in Castlemilk it is poverty and poor health that are 'on the up and up' (McDougall 1999).

The basic problem is that the Partnership has been intrinsically unable to raise employment and incomes because it only set out to address housing, environment and training/job placement and never attempted to tackle the area's employment base, which lies mainly on the south side of Glasgow, much of it in the swathe of now largely derelict land from Govan through the Gorbals, Dalmarnock and Rutherglen to Cambuslang which will not be redeveloped effectively until the M74 is completed (Figure 6). If this 'jobless regeneration' approach is continued, in Glasgow and elsewhere, then there is every reason to expect similar results.

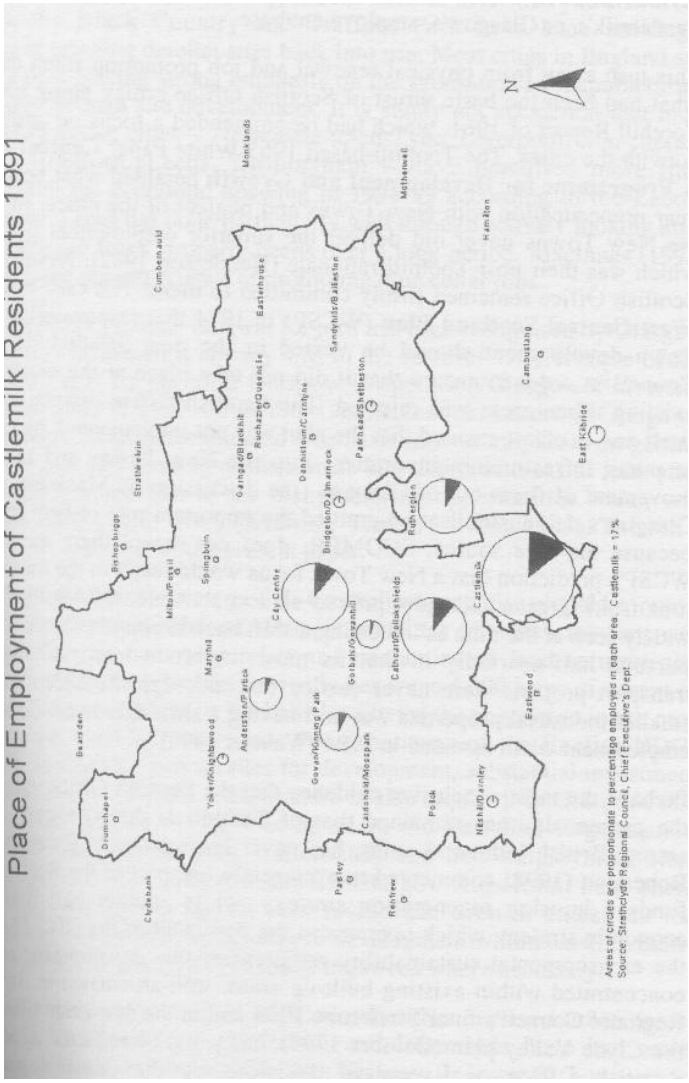
The reasons for the Urban Partnerships' neglect of employment lie in the intellectual history of Scottish urban policy, whose key arguments need to be revisited.

ORIGINS OF THE URBAN PARTNERSHIP MODEL

The Urban Partnership model has often been described as distinctively Scottish. Its origins, however, lie in the work of a group of London-based economists (particularly Metcalf, Richardson, Evans and Cheshire) dating from the 1970s (Webster 1994). At that time it was taken for granted (for instance in the previous Labour government's **Inner Cities** White Paper of 1977) that the main cause of inner city decline was local manual job loss. These economists reacted against this view, arguing, without direct evidence, that commuting patterns were so extensive and flexible that the effects of any job loss would quickly 'ripple' out through the conurbation so that any remaining concentrations of unemployment would be due purely to the characteristics of local residents. What this 'characteristics approach' overlooked was that if employment was falling dramatically across the conurbation, and particularly if the loss was of manual jobs, then unemployment was bound to rise in the areas where manual workers lived, and that the only solution therefore would be to restore these jobs or jobs similar enough for the displaced workers to get.

At that time - the later 1970s and early 1980s - Scottish urban regeneration policy was focused on the GEAR (Glasgow East Area Renewal) model, which was in essence a physically-oriented approach similar to that of the later English Urban Development Corporations. When, however, GEAR

came up for evaluation in 1986, the Scottish Development Agency adopted the ideas of the London group and asserted not only that GEAR had been unsuccessful in job creation, but that it should not even have attempted it. It recommended that future urban regeneration projects should be confined to housing, environment, training and job placement. This recommendation was



then turned – without consultation with local government - into the New Life programme, leading to the adoption of a Castlemilk renewal programme defined in such a way that nothing significant could be done to restore Castlemilk's, or Glasgow's, employment base.

This turn away from physical renewal and job promotion fitted easily with what had been the basic thrust of Scottish Office policy going back to the Toothill Report of 1961, which had recommended a focus on 'growth areas' outwith the cities. The Toothill-based 1963 White Paper **Central Scotland: A Programme for Development and Growth** heralded what became a 30-year preoccupation with New Towns and neglect of the cities. In the event the New Towns never did deliver the superior employment performance which was their post-Toothill rationale (Henderson 1982). Nevertheless the Scottish Office remained firmly committed to them. The case made by the **West Central Scotland Plan** (WCSP) in 1974 that responsibility for New Town development should be vested in the new Strathclyde Regional Council in order to ensure that it did not take place at the expense of the existing urban areas was rejected. The Scottish Office maintained control itself and in effect ensured that the plan was not implemented, by continuing to pump infrastructure investment into the New Towns and to subsidise movement of firms out of Glasgow (the discussion by MacInnes (1995) of Glasgow's deindustrialisation omitted the important role of firm movements because his data source, SCOMER, does not record them as such). The WCSP's prediction that a New Town focus would result in the loss of 50,000 jobs from Greater Glasgow proved all too accurate. GEAR itself, though widely seen at the time as indicating a shift back to support for the cities, was pursued half-heartedly in that its most important land reclamation and transport projects were never carried out, although the £30m invested in smaller industrial properties was still having a strikingly beneficial effect on employment when assessed in 1994 (Webster 1994).

Perhaps the most conclusive evidence that the Scottish Office agenda up to the present day has remained that of Toothill is that Glasgow, uniquely among British industrial cities, has never been given an Enterprise Zone. Robertson (1998) commented that 'currently one part of the Scottish Office funds a housing regeneration strategy, while another part manages an economic strategy which operates to the detriment of the city'. Meanwhile, the environmental sustainability requirement that development should be concentrated within existing built-up areas, well-articulated in Strathclyde Regional Council's final **Structure Plan** and in the new draft Glasgow and the Clyde Valley plan (October 1999), has yet to be reflected in any major

Scottish Office or Executive decisions on the physical pattern of development.

WHAT IS NEEDED

While the Urban Partnership approach has left employment problems largely untouched, urban development corporations such as those in Tyne and Wear, Sheffield, the Black Country and Trafford Park have been strikingly successful in bringing derelict sites back into use. Most cities in England and Wales are now placing strong emphasis on the promotion of manufacturing employment through site development. It is surely not accidental that most comparable English cities – Newcastle-upon-Tyne, Liverpool, Manchester, Sheffield, Bradford, Leeds, Birmingham – have benefited more than Glasgow from the economic upswing in 1994-99 according to the Labour Force Survey. Leeds has done particularly well through actively looking after its manufacturing firms' property needs over a long period. MacInnes (1995) also emphasised the importance of promoting blue collar jobs.

The importance of physical renewal for jobs has been recognised by Glasgow City Council – as indeed it already was in the forceful early critique of the 1963 White Paper by the joint Glasgow Corporation/Glasgow University **Springburn Study** of 1967. Councillor Charlie Gordon, Leader of Glasgow's Administration, recently commented 'We have an over emphasis on getting professional jobs and sending professionals into deprived areas to look after the poor and I would like to see manufacturing opportunities which will provide our people with work' (**Evening Times**, 28 May 1999). This, in a nutshell, is the argument of the present paper.

Glasgow's Regeneration Strategy Sub-Committee recently adopted a report (1999c) setting out a number of strategic priorities of which the first was 'accelerated development of derelict and contaminated land to meet city regeneration objectives'. The city currently has some 4,000 acres of vacant or derelict land, almost 10% of its land area and twice the proportion in the next worse Scottish local authority area. The experience of the English UDCs shows that, in order to open up sites for development, substantial investment in roads and public transport infrastructure is also required. In Glasgow, this means projects such as the M74 completion, the East End Regeneration Route, improved links between Easterhouse and new employment sites including Gartcosh and Cardowan, and the Glasgow Airport rail link. There is currently some feeling against road investment even in cities, but the environmentally sustainable refocusing of development within existing built-up areas can only be achieved if access is improved where necessary.

Similar arguments apply to most of Scotland's other deprived urban areas. Many, such as Lanarkshire, Clydebank and Inverclyde have had more investment in industrial infrastructure than Glasgow. It is wrong, however, to assume that renewal can be a once-for-all process so that for instance Clydebank has 'had its Enterprise Zone' and can expect no more 'help'. Public investment in infrastructure requires to be continuous, just as it always was in the New Towns.

This switch of strategy would require a switch of resources to achieve it, in particular an increase in funding for derelict land reclamation and industrial and transport infrastructure. This could well be achieved by redirecting money from the labour supply-side programmes including the New Deal – though not New Futures, whose client group has genuine labour market disadvantages. Slowing down the development of New Community Schools, allowing more time for evaluation of the concept, could also release resources for physical renewal.

The analysis of the present paper has an outstandingly important implication for the new Scottish Parliament. The government's view implies that the most important measures in relation to social inclusion in Scotland lie within the reserved powers of the New Deal and social security, as well as macroeconomic management of the economy, with the devolved powers playing a less important role except perhaps in education. But on the analysis here, it is the devolved powers over physical and economic development which will play the greater role. There is no more important issue for the Parliament to address.

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